

**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 2018 TO 30 SEPTEMBER 2018

# **ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

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**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

(Company No. 735426-V)

(Incorporated in Malaysia)

**Condensed statement of financial position as at 30 September 2018 - unaudited**

	Note	30.9.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Assets</b>				
Property, plant and equipment	6	82,761	85,674	82,930
Investment properties	7	16,074	16,074	26,497
Intangible assets		86,727	85,682	10,725
Deferred tax assets		27,150	23,275	14,613
Investments	8	4,174,779	4,106,343	3,944,542
Reinsurance assets	9	819,207	824,948	909,050
Insurance receivables	9	172,494	196,187	219,515
Loans and receivables		149,966	123,074	124,131
Deferred acquisition costs		95,804	94,056	86,928
Current tax assets		-	803	-
Cash and cash equivalents		394,041	213,035	174,017
<b>Total assets</b>		<b>6,019,003</b>	<b>5,769,151</b>	<b>5,592,948</b>
<b>Equity and liabilities</b>				
Share capital		379,168	379,168	379,168
Retained earnings		1,677,588	1,467,395	1,364,363
Other reserves		31,320	29,723	17,747
<b>Total equity</b>		<b>2,088,076</b>	<b>1,876,286</b>	<b>1,761,278</b>
Insurance contract liabilities	11	3,510,028	3,474,774	3,420,542
Other financial liabilities		-	-	37
Insurance payables	12	232,200	217,532	219,576
Other payables and accruals		175,342	200,559	190,858
Current tax liabilities		13,357	-	657
<b>Total liabilities</b>		<b>3,930,927</b>	<b>3,892,865</b>	<b>3,831,670</b>
<b>Total equity and liabilities</b>		<b>6,019,003</b>	<b>5,769,151</b>	<b>5,592,948</b>

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 2018 - unaudited**

	Note	9 months period ended 30.9.2018 RM'000	9 months period ended 30.9.2017 RM'000 Restated
<b>Operating revenue</b>		1,765,617	1,699,720
Gross earned premiums		1,630,969	1,573,579
Premiums ceded to reinsurers		(172,999)	(221,305)
<b>Net earned premiums</b>		1,457,970	1,352,274
Investment income		134,647	126,141
Realised gains and losses		93	1,220
Fee and commission income		25,184	23,243
Other operating income		3,124	3,771
<b>Other income</b>		163,048	154,375
Gross claims paid		(941,496)	(1,056,840)
Claims ceded to reinsurers		98,378	207,854
Gross change in claims liabilities		(33,444)	6,734
Change in claims liabilities ceded to reinsurers		(14,774)	(6,089)
<b>Net claims incurred</b>		(891,336)	(848,341)
Fee and commission expense		(199,795)	(194,597)
Management expenses		(253,855)	(272,666)
Other operating expenses		(2,749)	(2,045)
<b>Other expenses</b>		(456,399)	(469,308)
<b>Profit before tax</b>		273,283	189,000
Tax expense		(63,090)	(51,665)
<b>Profit for the period</b>		210,193	137,335
<b>Profit attributable to:</b>			
Owners of the Company		210,193	137,335
<b>Basic earnings per ordinary share (sen)</b>	<b>13</b>	55.4	36.2

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**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 2018 - unaudited**

	<b>9 months period ended 30.9.2018 RM'000</b>	<b>9 months period ended 30.9.2017 RM'000 Restated</b>
<b>Profit for the period</b>	210,193	137,335
<b>Other comprehensive income</b>		
<b>Item that may be reclassified subsequently to profit or loss</b>		
Available-for-sale fair value reserve	2,102	20,545
Tax effect thereon	(505)	(4,931)
	<u>1,597</u>	<u>15,614</u>
<b>Total other comprehensive income for the period, net of tax</b>	1,597	15,614
<b>Total comprehensive income for the period, net of tax</b>	<u>211,790</u>	<u>152,949</u>
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	<u>211,790</u>	<u>152,949</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 2018 - unaudited**

	←		Non distributable Available-for-sale		→ Distributable	
	Share capital RM'000	Capital reserve RM'000	Fair value reserve RM'000	Asset revaluation reserve RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2017</b>	379,168	4,523	(2,318)	15,542	1,376,249	1,773,164
Change in accounting basis	-	-	-	-	(11,886)	(11,886)
<b>At 1 January 2017 - restated</b>	379,168	4,523	(2,318)	15,542	1,364,363	1,761,278
Fair value of available-for-sale financial assets	-	-	15,614	-	-	15,614
<b>Total other comprehensive income for the period</b>	-	-	15,614	-	-	15,614
Profit for the period	-	-	-	-	137,335	137,335
<b>Total comprehensive income for the period</b>	-	-	15,614	-	137,335	152,949
<b>At 30 September 2017</b>	379,168	4,523	13,296	15,542	1,501,698	1,914,227
<b>At 1 January 2018</b>	379,168	4,523	9,658	15,542	1,498,119	1,907,010
Change in accounting basis	-	-	-	-	(30,724)	(30,724)
<b>At 1 January 2018 - restated</b>	379,168	4,523	9,658	15,542	1,467,395	1,876,286
Fair value of available-for-sale financial assets	-	-	1,597	-	-	1,597
<b>Total other comprehensive income for the period</b>	-	-	1,597	-	-	1,597
Profit for the period	-	-	-	-	210,193	210,193
<b>Total comprehensive income for the period</b>	-	-	1,597	-	210,193	211,790
<b>At 30 September 2018</b>	379,168	4,523	11,255	15,542	1,677,588	2,088,076

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 2018 - unaudited**

	<b>9 months period ended 30.9.2018 RM'000</b>	<b>9 months period ended 30.9.2017 RM'000 Restated</b>
<b>Operating activities</b>		
<b>Profit before tax</b>	273,283	189,000
Investment income	(134,647)	(126,141)
Realised gains recorded in profit or loss	(93)	(1,220)
Purchases of financial investments	(494,686)	(551,518)
Placement of fixed deposits	(80,735)	(4,586)
Maturity of fixed deposits	64,586	144,400
Proceeds from disposal of financial investments	71,022	163,585
Maturity of financial investments	375,988	187,000
<b>Non-cash items:</b>		
Depreciation of property, plant and equipment	7,786	8,254
Amortisation of intangible assets	8,363	4,329
Allowance of impairment loss on receivables	11,664	30,455
Allowance of impairment loss on other receivables	(1,245)	-
Bad debts recovered	(77)	(179)
Property, plant and equipment written off	98	5
Bad debts written off on receivables	1,353	712
Interest expense/(income)	550	(300)
<b>Changes in working capital:</b>		
Change in reinsurance assets	5,741	36,723
Change in insurance receivables	11,998	(67,281)
Change in loans and receivables	(26,530)	(11,020)
Change in deferred acquisition costs	(1,748)	(8,229)
Change in insurance contract liabilities	35,254	56,161
Change in insurance payables	14,668	27,532
Change in other payables and accruals	53,858	1,949
<b>Cash generated from operations</b>	<b>196,451</b>	<b>79,631</b>
Interest income received	131,686	126,494
Rental income received	220	61
Income tax paid	(53,309)	(69,879)
<b>Net cash flows generated from operating activities</b>	<b>275,048</b>	<b>136,307</b>

**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD**

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**Condensed statement of cash flows (continued)****for the 9 month period ended 30 September 2018 - unaudited**

	<b>9 months period ended 30.9.2018 RM'000</b>	<b>9 months period ended 30.9.2017 RM'000 Restated</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	112	1,236
Purchase of property, plant and equipment	(5,121)	(2,978)
Purchase of intangible assets	(9,408)	(74,695)
<b>Net cash flows used in investing activities</b>	<u>(14,417)</u>	<u>(76,437)</u>
<b>Financing activities</b>		
Dividend paid to owners of the Company	(79,625)	(60,288)
<b>Net cash flows used in financing activities</b>	<u>(79,625)</u>	<u>(60,288)</u>
Net (decrease)/increase in cash and cash equivalents	181,006	(418)
Cash and cash equivalents at beginning of period	213,035	174,017
Cash and cash equivalents at end of period	<u>394,041</u>	<u>173,599</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	393,444	173,161
Cash and bank balances	597	438
	<u>394,041</u>	<u>173,599</u>

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



# ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

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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 2018 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 2017.

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 2017, except for the adoption of the following:

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018**

MFRS 9, *Financial Instruments (2014)*

MFRS 15, *Revenue from Contracts with Customers*

Clarifications to MFRS 15, *Revenue from Contracts with Customers*

Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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 significant changes in basis used for amounts reported in prior financial year that have a material effect for the financial period under review.

### 4. Restatement of comparatives

During the financial period, the Company revised the accounting in relation to the deferment of reinsurance premium for non-proportional reinsurance to better reflect the recognition of the loss occurring coverage in line with the terms of the reinsurance arrangements. In the prior periods, non-proportional unearned reinsurance premium reserves was determined based on the terms of the underlying policies.

As such, comparatives have been restated as disclosed in Note 25 to the condensed interim financial statements.

### 5. Seasonal or cyclical factors

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

### 6. 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.

### 7. Investment properties

	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance at the beginning of period/year	16,074	26,497
Change in fair value recognised in profit or loss	-	(2,409)
Transfer to property, plant and equipment	-	(8,014)
Balance at the end of period/year	<u>16,074</u>	<u>16,074</u>

#### Included in the above are:

	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
At fair value:		
Freehold land and buildings	<u>16,074</u>	<u>16,074</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.

**7. Investment properties (continued)****Fair value information**

Fair value of investment properties are categorised as follows:

**30.9.2018**

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
Freehold land and buildings	-	16,074	-	16,074

**31.12.2017**

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
Freehold land and buildings	-	16,074	-	16,074

**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 Level 2 fair values**

There is no transfer between Level 1 and Level 2 fair values during the current interim period ended 30 September 2018 (2017: no transfer in either directions).

**Level 3 fair value**

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

**8. Investments**

	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian government securities	1,710,342	1,667,074
Malaysian government guaranteed bonds	788,722	780,544
Unquoted debt securities	1,499,494	1,482,011
Unquoted equity securities	*	*
Fixed deposits	95,970	84,586
Structured deposits with licensed financial institutions	80,251	92,128
	<u>4,174,779</u>	<u>4,106,343</u>

\* Denotes RM 4

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

	<b>Total</b>	
	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and receivables ("L&R")	95,970	84,586
Available-for-sale financial assets ("AFS")	4,078,809	4,021,758
	<u>4,174,779</u>	<u>4,106,344</u>

**8. Investments (continued)**

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

	30.9.2018		31.12.2017	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Loans and receivables</b>				
Fixed deposits	95,970	95,970	84,586	84,586
<b>Available-for-sale</b>				
Malaysian government securities	1,710,342	1,710,342	1,667,074	1,667,074
Malaysian government guaranteed bonds	788,722	788,722	780,544	780,544
Unquoted debt securities	1,499,494	1,499,494	1,482,011	1,482,011
Unquoted equity securities	*	-	*	-
Structured deposits with licensed financial institutions	80,251	80,251	92,128	92,128
	<u>4,078,809</u>	<u>4,078,809</u>	<u>4,021,757</u>	<u>4,021,757</u>
	<u>4,174,779</u>	<u>4,174,779</u>	<u>4,106,343</u>	<u>4,106,343</u>

\* Denotes RM 4

## 8. Investments (continued)

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

	<b>L&amp;R</b>	<b>AFS</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At 1 January 2017</b>	254,400	3,690,142	3,944,542
Purchases	4,586	746,812	751,398
Maturities	(174,400)	(227,000)	(401,400)
Disposals	-	(207,422)	(207,422)
Impairment	-	-	-
Fair value loss recorded in other comprehensive income	-	15,758	15,758
Accretion	-	5,449	5,449
Amortisation	-	(1,982)	(1,982)
<b>At 31 December 2017/ 1 January 2018</b>	<b>84,586</b>	<b>4,021,757</b>	<b>4,106,343</b>
Purchases	80,735	494,685	575,420
Maturities	(69,351)	(371,223)	(440,574)
Disposals	-	(70,891)	(70,891)
Fair value gains recorded in other comprehensive income	-	2,102	2,102
Accretion	-	3,630	3,630
Amortisation	-	(1,251)	(1,251)
<b>At 30 September 2018</b>	<b>95,970</b>	<b>4,078,809</b>	<b>4,174,779</b>

**9. Reinsurance assets**

	Note	30.9.2018 RM'000	31.12.2017 RM'000 Restated	1.1.2017 RM'000 Restated
<b>Non-current</b>				
<b>Reinsurance of insurance contracts</b>				
Claims liabilities		259,346	264,972	300,522
<b>Current</b>				
<b>Reinsurance of insurance contracts</b>				
Claims liabilities		421,784	430,933	453,340
Premium liabilities		138,077	129,043	155,188
		559,861	559,976	608,528
	<b>11</b>	819,207	824,948	909,050

**10. Insurance receivables**

		30.9.2018 RM'000	31.12.2017 RM'000
<b>Current</b>			
Due premiums including agent, brokers and co-insurers balances		160,328	148,123
Due from reinsurers and cedants		57,264	71,334
		217,592	219,457
Allowance for impairment		(66,115)	(54,452)
		151,477	165,005
Due from related companies	<b>10.1</b>	21,017	31,183
		172,494	196,188

**10. Insurance receivables (continued)**

	30.9.2018 RM'000	31.12.2017 RM'000
<b>Movement in allowance for impairment</b>		
Balance at the beginning of the period/year	54,452	16,072
Impairment loss recognised/(reversed)	11,663	38,380
Balance at the end of the period/year	<u>66,115</u>	<u>54,452</u>

**10.1 Amount due from related companies**

The amounts due from related companies are unsecured.

**11. Insurance contract liabilities**

General insurance contract liabilities consist of:

	← 30.9.2018 →			← 31.12.2017 →			← 1.1.2017 →		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000 Restated	Net RM'000	Gross RM'000	Reinsurance RM'000 Restated	Net RM'000
Provision for claims reported by policyholders	1,729,068	(470,460)	1,258,608	1,690,486	(477,442)	1,213,044	1,677,124	(544,462)	1,132,662
Provision for incurred but not reported claims ("IBNR")	706,762	(210,670)	496,092	711,900	(218,463)	493,437	722,698	(209,400)	513,298
Provision for outstanding claims (i)	2,435,830	(681,130)	1,754,700	2,402,386	(695,905)	1,706,481	2,399,822	(753,862)	1,645,960
Provision for unearned premiums (ii)	1,074,198	(138,077)	936,121	1,072,388	(129,043)	943,345	1,020,720	(155,188)	865,532
	<u>3,510,028</u>	<u>(819,207)</u>	<u>2,690,821</u>	<u>3,474,774</u>	<u>(824,948)</u>	<u>2,649,826</u>	<u>3,420,542</u>	<u>(909,050)</u>	<u>2,511,492</u>
		<b>Note 9</b>			<b>Note 9</b>			<b>Note 9</b>	



## 11. Insurance contract liabilities (continued)

## (i) Provision for outstanding claims

	← 30.9.2018 →	← 31.12.2017 →		← 30.9.2018 →	← 31.12.2017 →	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	2,402,386	(695,905)	1,706,481	2,399,822	(753,862)	1,645,960
Claims incurred in the current accident period/year	1,130,679	(135,896)	994,783	1,460,953	(196,008)	1,264,945
Other movements in claims incurred in prior accident period/years	(155,739)	52,293	(103,446)	(91,858)	(37,764)	(129,622)
Claims paid during the period/year	(941,496)	98,378	(843,118)	(1,366,531)	291,729	(1,074,802)
At the end of period/year	<u>2,435,830</u>	<u>(681,130)</u>	<u>1,754,700</u>	<u>2,402,386</u>	<u>(695,905)</u>	<u>1,706,481</u>

## (ii) Provision for unearned premiums

	← 30.9.2018 →	← 31.12.2017 →		← 30.9.2018 →	← 31.12.2017 →	
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	1,072,388	(129,043)	943,345	1,020,720	(155,188)	865,532
Premiums written in the period/year	1,632,779	(182,033)	1,450,746	2,135,812	(245,018)	1,890,794
Premiums earned during the period/year	(1,630,969)	172,999	(1,457,970)	(2,084,144)	271,163	(1,812,981)
At the end of period/year	<u>1,074,198</u>	<u>(138,077)</u>	<u>936,121</u>	<u>1,072,388</u>	<u>(129,043)</u>	<u>943,345</u>
	<b>Note 9</b>			<b>Note 9</b>		

## 12. Insurance payables

	Note	30.9.2018 RM'000	31.12.2017 RM'000
<b>Non-current</b>			
Performance bond deposits	12.1	29,872	25,351
<b>Current</b>			
Due to reinsurers and cedants		61,779	62,488
Due to agents and intermediaries		64,819	42,233
Performance bond deposits	12.1	50,324	52,999
Due to related companies	12.2	25,406	34,461
		<u>202,328</u>	<u>192,181</u>
		<u>232,200</u>	<u>217,532</u>

### 12.1 Performance bond deposits

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

### 12.2 Amount due to related companies

The amount due to related companies are unsecured.

**13. 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:

	<b>30.9.2018</b>	<b>30.9.2017</b> <b>Restated</b>
Profit for the period attributable to ordinary shareholders <b>(RM'000)</b>	210,193	137,335
Weighted average number of ordinary shares <b>('000)</b>	379,168	379,168
Basic earnings per ordinary share <b>(sen)</b>	55.4	36.2

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.

**14. Capital commitments**

	<b>30.9.2018</b> <b>RM'000</b>	<b>31.12.2017</b> <b>RM'000</b>
<b>Property, plant and equipment</b>		
Contracted but not provided for	416	634
<b>Intangible assets</b>		
Contracted but not provided for	238	1,779

## 15. Operating leases

### *Leases as lessee*

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

	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Less than one year	8,632	4,396
Between one and five years	6,499	4,693
	<u>15,131</u>	<u>9,089</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.

## 16. Related party transactions

Significant related party transactions are as follows:

	<b>Amount transacted for the period ended 30 September</b>	
	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Trade</b>		
<b>Related companies*</b>		
Reinsurance premiums	(110,923)	(107,894)
Reinsurance commission	9,625	10,497
	<u>          </u>	<u>          </u>

\*Related companies are companies within the Allianz SE Group.

## **17. 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 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. MyCC has not provided an indicative timeline for delivery of its decision.

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.

## **18. 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.

## **19. 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.

## 20. 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 2018, as prescribed under the RBC Framework is provided below:

	<b>30.9.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
		<b>Restated</b>
<b>Tier 1 Capital</b>		
Paid up share capital	379,168	379,168
Retained earnings	1,677,588	1,467,395
	<u>2,056,756</u>	<u>1,846,563</u>
<b>Tier 2 Capital</b>		
Reserves	31,320	29,723
	<u>31,320</u>	<u>29,723</u>
Amounts deducted from capital	(113,876)	(108,957)
<b>Total capital available</b>	<u><u>1,974,200</u></u>	<u><u>1,767,329</u></u>

## 21. 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.

## 22. Dividend paid

An interim dividend of 21.0 sen per ordinary share under single tier system amounting to RM79,625,743 for the financial year ended 31 December 2017 was paid to the entitled shareholder of the Company on 18 January 2018.

## 23. 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”).

### 23. Changes in material litigations (continued)

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 Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively. The Oral Submissions took place on 12 October 2017 and 13 October 2017, during which the Tribunal sought some clarification in response to which the Company's solicitors prepared and filed the Company's Further Written Submissions. VSC's solicitors then responded with VSC's Further Written Submissions. The Company's solicitors then prepared and filed the Company's Rebuttal Submissions to clarify VSC's citation of certain cases.

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 (the "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 tribunal;
- (c) RM668,160, 69 for costs and expenses incurred by VSC; and
- (d) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

The Company's solicitors are of the view that there are reasonable grounds to seek a review of the majority decision, including to set aside the Award.

On this basis, an Originating Summons has been filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("the Act") and for a Reference of Questions of law under section 42 of the Act. The hearing date is fixed for 22 November 2018. The court has also directed parties to file and exchange their respective Written Submissions by 15 November 2018 and any Reply Submissions by 22 November 2018.

## 24. Financial instruments

### 24.1 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.



## 24. Financial instruments (continued)

### 24.2 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.

30.9.2018	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		
<b>Financial assets</b>										
Malaysian government securities	-	1,710,342	-	1,710,342	-	-	-	-	1,710,342	1,710,342
Malaysian government guaranteed bonds	-	788,722	-	788,722	-	-	-	-	788,722	788,722
Unquoted debt securities	-	1,499,494	-	1,499,494	-	-	-	-	1,499,494	1,499,494
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	80,251	-	80,251	-	-	-	-	80,251	80,251
	-	4,078,809	-	4,078,809	-	-	-	-	4,078,809	4,078,809

## 24. Financial instruments (continued)

## 24.2 Fair value information (continued)

31.12.2017	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		
<b>Financial assets</b>										
Malaysian government securities	-	1,667,074	-	1,667,074	-	-	-	-	1,667,074	1,667,074
Malaysian government guaranteed bonds	-	780,544	-	780,544	-	-	-	-	780,544	780,544
Unquoted debt securities	-	1,482,011	-	1,482,011	-	-	-	-	1,482,011	1,482,011
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	92,128	-	92,128	-	-	-	-	92,128	92,128
	-	4,021,757	-	4,021,757	-	-	-	-	4,021,757	4,021,757

## **24. Financial instruments (continued)**

### **24.2 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 2018 (2017: no transfer in either directions).

#### **Level 3 fair value**

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

**25. Effects on restatement of comparatives**

The change in the accounting of unearned reinsurance premium have been adjusted for retrospectively. The effects of the change are as follows:

	1-Jan-17			31-Dec-17		
	As previously reported	Effect of change in accounting basis	Restated balance	As previously reported	Effect of change in accounting basis	Restated balance
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b><u>Statement of financial position</u></b>						
Reinsurance assets	920,936	(11,886)	909,050	855,672	(30,724)	824,948
Retained earnings	1,376,249	(11,886)	1,364,363	1,498,119	(30,724)	1,467,395

	Effect to the financial period ended 30 September 2017		
	As previously reported	Effect of change in accounting basis	Restated balance
	RM'000	RM'000	RM'000
<b><u>Statement of profit or loss</u></b>			
Premium ceded to reinsurers	(204,925)	(16,380)	(221,305)
Net earned premium	1,368,654	(16,380)	1,352,274
Profit before tax	205,380	(16,380)	189,000
Profit for the year	153,715	(16,380)	137,335
Basic earnings per ordinary share (sen)	40.5	(4.3)	36.2

**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 26 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 2018 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:

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Tan Sri Datuk (Dr.) Rafiah Binti Salim

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Zakri Bin Mohd Khir

Kuala Lumpur,

Date: 21 November 2018