

**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 2019 TO 30 SEPTEMBER 2019

# **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 2019 - unaudited**

	Note	30.9.2019 RM'000	31.12.2018 RM'000
<b>Assets</b>			
Property, plant and equipment	5	68,634	80,427
Right-of-use assets		54,767	-
Investment properties	6	16,315	16,074
Intangible assets		76,875	87,017
Deferred tax assets		-	14,051
Investments	7	4,392,049	4,120,468
Reinsurance assets	8	808,949	837,426
Insurance receivables	9	188,710	147,401
Loans and receivables		101,219	99,186
Deferred acquisition costs		108,253	95,060
Current tax assets		9,102	4,045
Cash and cash equivalents		408,328	490,036
<b>Total assets</b>		<b>6,233,201</b>	<b>5,991,191</b>
<b>Equity and liabilities</b>			
Share capital		379,168	379,168
Retained earnings		1,759,196	1,570,973
Other reserves		96,213	30,148
<b>Total equity</b>		<b>2,234,577</b>	<b>1,980,289</b>
Insurance contract liabilities	10	3,619,150	3,505,618
Insurance payables	11	180,401	196,348
Other payables and accruals		147,659	308,936
Lease liabilities		45,678	-
Deferred tax liabilities		5,736	-
<b>Total liabilities</b>		<b>3,998,624</b>	<b>4,010,902</b>
<b>Total equity and liabilities</b>		<b>6,233,201</b>	<b>5,991,191</b>

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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**Condensed statement of profit or loss****for the 9 month period ended 30 September 2019 - unaudited**

	9 months period ended 30.9.2019	9 months period ended 30.9.2018
Note	RM'000	RM'000
<b>Operating revenue</b>	1,727,886	1,765,617
Gross earned premiums	1,587,353	1,630,969
Premiums ceded to reinsurers	(200,814)	(172,999)
<b>Net earned premiums</b>	1,386,539	1,457,970
Investment income	140,533	134,647
Realised gains and losses	2,120	93
Fair value gains and losses	241	-
Fee and commission income	28,630	25,184
Other operating income	4,064	3,124
<b>Other income</b>	175,588	163,048
Gross claims paid	(893,052)	(941,496)
Claims ceded to reinsurers	97,096	98,378
Gross change in claims liabilities	(55,453)	(33,444)
Change in claims liabilities ceded to reinsurers	(4,401)	(14,774)
<b>Net claims incurred</b>	(855,810)	(891,336)
Fee and commission expense	(199,576)	(199,795)
Management expenses	(257,745)	(253,855)
Finance cost	(1,469)	-
Other operating expenses	(3,029)	(2,749)
<b>Other expenses</b>	(461,819)	(456,399)
<b>Profit before tax</b>	244,498	273,283
Tax expense	(56,275)	(63,090)
<b>Profit for the period</b>	188,223	210,193
<b>Profit attributable to:</b>		
Owners of the Company	188,223	210,193
<b>Basic earnings per ordinary share (sen)</b>	12	55.4

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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 2019 - unaudited**

	<b>9 months period ended 30.9.2019 RM'000</b>	<b>9 months period ended 30.9.2018 RM'000</b>
<b>Profit for the period</b>	188,223	210,193
<b>Other comprehensive income</b>		
<b>Item that may be reclassified subsequently to profit or loss</b>		
Fair value of available-for-sale ("AFS") financial assets		
- Net unrealised gain/(loss) arising during the year	84,811	1,970
- Realised gain transferred to income statement	2,116	132
	<u>86,927</u>	<u>2,102</u>
Tax effect thereon	(20,862)	(505)
	<u>66,065</u>	<u>1,597</u>
<b>Other comprehensive income for the period, net of tax</b>	66,065	1,597
<b>Total comprehensive income for the period, net of tax</b>	<u>254,288</u>	<u>211,790</u>
<b>Total comprehensive income attributable to: Owners of the Company</b>	<u>254,288</u>	<u>211,790</u>

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

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

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**Condensed statement of changes in equity  
for the 9 month period ended 30 September 2019 - unaudited**

	← Non distributable		Available-for-sale →		Distributable	
	Share capital	Capital reserve	Fair value	Asset revaluation	Retained	Total equity
	RM'000	RM'000	reserve	reserve	earnings	RM'000
			RM'000	RM'000	RM'000	RM'000
<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
<b>At 1 January 2019</b>	379,168	4,523	10,083	15,542	1,570,973	1,980,289
Fair value of available-for-sale financial assets	-	-	66,065	-	-	66,065
<b>Total other comprehensive income for the period</b>	-	-	66,065	-	-	66,065
Profit for the period	-	-	-	-	188,223	188,223
<b>Total comprehensive income for the period</b>	-	-	66,065	-	188,223	254,288
<b>At 30 September 2019</b>	379,168	4,523	76,148	15,542	1,759,196	2,234,577

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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**Condensed statement of cash flows****for the 9 month period ended 30 September 2019 - unaudited**

	<b>9 months period ended 30.9.2019 RM'000</b>	<b>9 months period ended 30.9.2018 RM'000</b>
<b>Operating activities</b>		
<b>Profit before tax</b>	244,498	273,283
Investment income	(140,533)	(134,647)
Realised gains recorded in profit or loss	(2,120)	(93)
Change in fair value of investment properties	(241)	-
Purchases of financial investments	(791,641)	(494,686)
Placement of fixed deposits	(157,354)	(80,735)
Maturity of fixed deposits	102,251	64,586
Proceeds from disposal of financial investments	168,437	71,022
Maturity of financial investments	489,000	375,988
<b>Non-cash items:</b>		
Depreciation of property, plant and equipment	6,504	7,786
Depreciation of right-of-use assets	10,968	-
Amortisation of intangible assets	9,313	8,363
Allowance of impairment loss on receivables	6,563	11,664
Allowance of impairment loss on other receivables	-	(1,245)
Bad debts recovered	(50)	(77)
Property, plant and equipment written off	815	98
Bad debts written off on receivables	-	1,353
Interest expense	352	550
Interest on lease liabilities	1,469	-
<b>Changes in working capital:</b>		
Change in reinsurance assets	28,477	5,741
Change in insurance receivables	(47,822)	11,998
Change in loans and receivables	4,475	(26,530)
Change in deferred acquisition costs	(13,193)	(1,748)
Change in insurance contract liabilities	113,532	35,254
Change in insurance payables	(15,947)	14,668
Change in other payables and accruals	(1,999)	53,858
<b>Cash generated from operations</b>	<b>15,754</b>	<b>196,451</b>
Dividend income from unquoted unit trust	13,728	-
Interest income received	126,691	131,686
Rental income received	377	220
Income tax paid	(62,408)	(53,309)
<b>Net cash flows generated from operating activities</b>	<b>94,142</b>	<b>275,048</b>

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**Condensed statement of cash flows (continued)****for the 9 month period ended 30 September 2019 - unaudited**

	<b>9 months period ended 30.9.2019 RM'000</b>	<b>9 months period ended 30.9.2018 RM'000</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	85	112
Proceeds from disposal of intangible assets	6,393	-
Purchase of property, plant and equipment	(6,045)	(5,121)
Purchase of intangible assets	(5,564)	(9,408)
<b>Net cash flows used in investing activities</b>	<b>(5,131)</b>	<b>(14,417)</b>
<b>Financing activities</b>		
Dividend paid to owners of the Company	(159,630)	(79,625)
Repayment of lease liabilities	(11,089)	-
<b>Net cash flows used in financing activities</b>	<b>(170,719)</b>	<b>(79,625)</b>
Net (decrease)/increase in cash and cash equivalents	(81,708)	181,006
Cash and cash equivalents at beginning of period	490,036	213,035
Cash and cash equivalents at end of period	408,328	394,041
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	405,180	393,444
Cash and bank balances	3,148	597
	408,328	394,041

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

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### 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 2019 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 2018.

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 2018, except for the adoption of the following:

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019**

MFRS 16, *Leases*

IC Interpretation 23, *Uncertainty over Income Tax Treatments*

Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)*

Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)*

Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)*

Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015 - 2017 Cycle)*

Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Long-term Interests in Associates and Joint Ventures)*

#### **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

The Company's business activities are predominantly insurance and hence qualify for the temporary exemption from applying MFRS 9 under the Amendments to MFRS 4, *Insurance Contracts*. Hence, the Company will defer and adopt MFRS 9 together with MFRS 17, *Insurance Contracts* on 1 January 2021.

The Company is currently assessing the financial impact that may arise from the adoption of MFRS 9 and intends to adopt MFRS 9 together with MFRS 17 on 1 January 2021.

#### **Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts**

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 'Financial Instruments' before the forthcoming new insurance contracts standard. This is because certain financial assets have to be measured at fair value through profit or loss under MFRS 9; whereas, under MFRS 4 'Insurance Contracts', the related liabilities from insurance contracts are often measured on amortised cost basis.

**1. Basis of preparation (continued)****Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)**

The amendments provide 2 different approaches for the Company:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018 and may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, Insurance Contracts for the financial year beginning on or after 1 January 2021.

The following additional disclosures, required by MFRS 9 for company qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

	Fair value as at 30.9.2019 RM'000	Change in fair value RM'000	Cash flows characteristic
<b>Financial assets</b>			
Malaysian government securities	-	-	SPPI
Malaysian government guaranteed bonds	-	-	SPPI
Unquoted bonds of corporations	-	-	SPPI
Unquoted unit trust in Malaysia	Fair value as at 30.	Change in fair v	Non-SPPI
Negotiable certificates of deposits	1,526,716	29,747	SPPI
Fixed deposits with licensed banks	718,529	25,602	SPPI
Loans and other receivables	101,219	30,989	SPPI
Cash and cash equivalents	408,328	-	SPPI
	<u>2,754,792</u>	<u>86,338</u>	

\* Insurance receivables and reinsurance assets have been excluded from the above assessment as they will be under the scope of MFRS 17, Insurance Contracts.

Other than the financial assets included in the table above and assets that are within the scope of MFRS 17, Insurance Contract, all other assets in the statement of financial position are non-financial assets.

## 1. Basis of preparation (continued)

## Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
<b>Changes in fair value during the year</b>			
<u>Investments</u>			
Malaysian government securities	29,747	-	29,747
Malaysian government guaranteed bonds	25,602	-	25,602
Unquoted debt securities	30,989	-	30,989
Unquoted unit trust in Malaysia	-	663	663
Negotiable certificates of deposits	(73)	-	(73)
	<u>86,265</u>	<u>663</u>	<u>86,928</u>

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**1. Basis of preparation (continued)****Amendments to MFRS 4 - Applying MFRS 9 - Financial Instruments with MFRS 4 - Insurance Contracts (continued)****Financial assets with SPPI cash flows****Gross carrying amounts under MFRS 139 by credit risk rating grades****Investments**

	AAA	AA	A	BBB	Non- investment grade	Non-rated	Past-due but not impaired	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysian government securities	-	-	-	-	-	1,526,716	-	1,526,716
Malaysian government guaranteed bonds	-	-	-	-	-	718,529	-	718,529
Unquoted debt securities	839,314	477,373	20,718	11,097	-	-	-	1,348,502
Negotiable certificates of deposits	20,164	-	-	-	-	-	-	20,164
Fixed deposits	78,082	101,310	-	-	-	-	-	179,392
Loans and other receivables	-	-	-	-	-	101,219	-	101,219
Cash and cash equivalents	285,776	122,474	-	-	-	78	-	408,328
	<u>1,223,336</u>	<u>701,157</u>	<u>20,718</u>	<u>11,097</u>	<u>-</u>	<u>2,346,542</u>	<u>-</u>	<u>4,302,850</u>

\* All financial assets with SPPI cash flows of the Company as at 30 September 2019 have low credit risk.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2019 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

## ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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### 1. Basis of preparation (continued)

#### MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company adopted MFRS 16 using the modified retrospective approach and measured the right-of-use assets equals to the lease liabilities as at 1 January 2019 with no restatement of comparative information.

The adoption of MFRS 16, Leases has resulted in changes in the Company's accounting policies. The effect arising from these changes on the statement of financial position of the Company are as follow:

	31.12.2018 RM'000	Effects on adoption of MFRS 16 RM'000	1.1.2019 RM'000
<b>Assets</b>			
Property, plant and equipment	80,427	(10,004)	70,423
Right of use assets	-	65,302	65,302
<b>Liabilities</b>			
Lease liabilities	-	55,298	55,298

## ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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### 2. Items of an unusual nature

The results of the Company for the current interim period were not substantially affected by any item, transaction or event of a material and unusual nature.

### 3. Changes in estimates

There were no significant changes in basis used for amounts reported in prior financial year that have a material effect for the financial period under review.

### 4. Seasonal or cyclical factors

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

### 5. Property, plant and equipment

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

### 6. Investment properties

	30.9.2019 RM'000	31.12.2018 RM'000
Balance at the beginning of period/year	16,074	16,074
Change in fair value recognised in profit or loss	241	-
Balance at the end of period/year	<u>16,315</u>	<u>16,074</u>

#### Included in the above are:

	30.9.2019 RM'000	31.12.2018 RM'000
At fair value:		
Freehold land and buildings	<u>16,315</u>	<u>16,074</u>

The fair values of investment properties are determined by Hartamas Valuation and Consultancy Sdn Bhd, an independent professional qualified valuer using the comparison method and income 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:

#### 30.9.2019

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land and buildings	-	-	16,315	<u>16,315</u>

**6. Investment properties (continued)****Fair value information (continued)****31.12.2018**

	<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

**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.

**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 2019 (2018: no transfer in either directions).

**Level 3 fair value**

Level 3 fair value is estimated using unobservable inputs for the investment properties. The Level 3 unobservable input used in the valuation of land and building is the price per square foot ("per sq foot") and capitalisation rate/ all-risk yield which is adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

**7. Investments**

	<b>30.9.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysian government securities	1,526,716	1,531,876
Malaysian government guaranteed bonds	718,529	732,196
Unquoted debt securities	1,341,207	1,470,704
Unquoted equity securities	*	*
Unquoted unit trust in Malaysia	606,041	200,258
Fixed deposits	179,392	123,828
Negotiable certificates of deposits and structured deposits with licensed financial institutions	1,526,716	61,606
	<u>5,898,601</u>	<u>4,120,468</u>

\* Denotes RM 4

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

	<b>Total</b>	
	<b>30.9.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Loans and receivables ("L&R")	179,392	123,828
Available-for-sale financial assets ("AFS")	5,719,209	3,996,640
	<u>5,898,601</u>	<u>4,120,468</u>



**7. Investments (continued)**

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

	30.9.2019		31.12.2018	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>Loans and receivables</b>				
Fixed deposits	179,392	179,392	123,828	123,828
<b>Available-for-sale</b>				
Malaysian government securities	1,526,716	1,526,716	1,531,876	1,531,876
Malaysian government guaranteed bonds	718,529	718,529	732,196	732,196
Unquoted debt securities	1,341,207	1,341,207	1,470,704	1,470,704
Unquoted equity securities	*	-	*	-
Unquoted unit trust in Malaysia	606,041	606,041	200,258	200,258
Negotiable certificates of deposits and structured deposits with licensed financial institutions	1,526,716	1,526,716	61,606	61,606
	5,719,209	5,719,209	3,996,640	3,996,640
	5,898,601	5,898,600	4,120,468	4,120,468

\* Denotes RM 4

**7. 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 2018</b>	85,555	4,064,458	4,150,013
Purchases	142,986	703,300	846,286
Maturities	(105,321)	(500,988)	(606,309)
Disposals	-	(271,609)	(271,609)
Impairment	-	-	-
Fair value loss recorded in other comprehensive income	-	559	559
Accretion	-	4,465	4,465
Amortisation	-	(1,649)	(1,649)
Movement in income due and accrued	608	(1,897)	(1,288)
<b>At 31 December 2018/ 1 January 2019</b>	<b>123,828</b>	<b>3,996,640</b>	<b>4,120,468</b>
Purchases	157,355	791,641	948,996
Maturities	(102,251)	(489,000)	(591,251)
Disposals	-	(166,321)	(166,321)
Fair value gains recorded in other comprehensive income	-	86,927	86,927
Accretion	-	488	488
Amortisation	-	(751)	(751)
Movement in income due and accrued	460	(6,967)	(6,507)
<b>At 30 September 2019</b>	<b>179,392</b>	<b>4,212,657</b>	<b>4,392,049</b>

**8. Reinsurance assets**

	Note	30.9.2019 RM'000	31.12.2018 RM'000
<b>Non-current</b>			
<b>Reinsurance of insurance contracts</b>			
Claims liabilities		269,668	271,333
<b>Current</b>			
<b>Reinsurance of insurance contracts</b>			
Claims liabilities		443,007	445,743
Allowance for impairment		(2,586)	(2,615)
Premium liabilities		98,860	122,965
		539,281	566,093
	<b>10</b>	808,949	837,426

**9. Insurance receivables**

		30.9.2019 RM'000	31.12.2018 RM'000
<b>Current</b>			
Due premiums including agent, brokers and co-insurers balances		178,439	111,945
Due from reinsurers and cedants		57,049	61,494
		235,488	173,439
Allowance for impairment		(62,043)	(55,451)
		173,445	117,988
Due from related companies	<b>9.1</b>	15,265	29,413
		188,710	147,401

## 9. Insurance receivables (continued)

	30.9.2019 RM'000	31.12.2018 RM'000
<b>Movement in allowance for impairment</b>		
Balance at the beginning of the period/year	55,451	54,452
Impairment loss recognised/(reversed)	6,592	999
Balance at the end of the period/year	62,043	55,451

### 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:

	←	30.9.2019	→	←	31.12.2018	→
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported by policyholders	1,854,494	(500,762)	1,353,732	1,734,155	(517,351)	1,216,804
Provision for incurred but not reported claims ("IBNR")	676,350	(211,913)	464,437	741,236	(199,725)	541,511
(i)	2,530,844	(712,675)	1,818,169	2,475,391	(717,076)	1,758,315
Allowance for impairment	-	2,586	2,586	-	2,615	2,615
Provision for outstanding claims (i)	2,530,844	(710,089)	1,820,755	2,475,391	(714,461)	1,760,930
Provision for unearned premiums (ii)	1,088,306	(98,860)	989,446	1,030,227	(122,965)	907,262
	3,619,150	(808,949)	2,810,201	3,505,618	(837,426)	2,668,192
		<b>Note 8</b>			<b>Note 8</b>	

**10. Insurance contract liabilities (continued)**

## (i) Provision for outstanding claims

	← 30.9.2019 →	← 31.12.2018 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	2,475,391	(714,461)	1,760,930	2,402,386	(695,905)	1,706,481
Claims incurred in the current accident period/year	1,128,587	(141,945)	986,642	1,468,163	(143,773)	1,324,390
Other movements in claims incurred in prior accident period/years	(180,082)	49,221	(130,861)	(141,959)	(4,627)	(146,586)
Claims paid during the period/year	(893,052)	97,096	(795,956)	(1,253,199)	129,844	(1,123,355)
At the end of period/year	<u>2,530,844</u>	<u>(710,089)</u>	<u>1,820,755</u>	<u>2,475,391</u>	<u>(714,461)</u>	<u>1,760,930</u>

## (ii) Provision for unearned premiums

	← 30.9.2019 →	← 31.12.2018 →				
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At the beginning of period/year	1,030,227	(122,965)	907,262	1,072,388	(129,043)	943,345
Premiums written in the period/year	1,645,432	(176,709)	1,468,723	2,121,319	(229,728)	1,891,591
Premiums earned during the period/year	(1,587,353)	200,814	(1,386,539)	(2,163,480)	235,806	(1,927,674)
At the end of period/year	<u>1,088,306</u>	<u>(98,860)</u>	<u>989,446</u>	<u>1,030,227</u>	<u>(122,965)</u>	<u>907,262</u>
	<b>Note 9</b>			<b>Note 9</b>		

**11. Insurance payables**

	Note	30.9.2019 RM'000	31.12.2018 RM'000
<b>Non-current</b>			
Performance bond deposits	12.1	26,442	24,132
<b>Current</b>			
Due to reinsurers and cedants		67,304	60,868
Due to agents and intermediaries		30,817	36,392
Performance bond deposits	12.1	49,270	50,282
Due to related companies	12.2	6,568	24,674
		<u>153,959</u>	<u>172,216</u>
		<u>180,401</u>	<u>196,348</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:

	<b>30.9.2019</b>	<b>30.9.2018</b>
Profit for the period attributable to ordinary shareholders ( <b>RM'000</b> )	188,223	210,193
Weighted average number of ordinary shares ( <b>'000</b> )	379,168	379,168
Basic earnings per ordinary share ( <b>sen</b> )	49.6	55.4

Diluted earnings per share are not presented as there were no dilutive potential ordinary shares as at the end of the reporting period.

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

**13. Capital commitments**

	<b>30.9.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property, plant and equipment</b>		
Contracted but not provided for	1,120	2,696
<b>Intangible assets</b>		
Contracted but not provided for	79	1,275

**14. Related party transactions**

Significant related party transactions are as follows:

	<b>Amount transacted for the period ended 30 September</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Trade</b>		
<b>Related companies*</b>		
Reinsurance premiums	(113,389)	(110,923)
Reinsurance commission	9,019	9,625

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

## 15. Changes in contingent liabilities

On 10 August 2016, the Malaysia Competition Commission (“MyCC”) commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia (“PIAM”) and all 22 general insurers including the Company of Section 4(2)(a) of the Competition Act 2010 (“CA”). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia (“FAWOAM”) in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by the Company pursuant to a members’ circular issued by PIAM, which arose from Bank Negara Malaysia’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. Due to the changes of the Members of Commission who heard the Company’s Oral Representation, the Company’s solicitors had requested MyCC to hold de novo (new) proceedings in relation to the Company’s Oral Representation before the new Members of Commission. The Company’s Oral Representation sessions which took place on 19 and 20 February 2019 have concluded. PIAM had commenced its Oral Representation on 21 February 2019. BNM’s Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel covering 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation of PIAM’s Competition Economist (RBB Economics) and the remaining insurers’ counsel were heard over 17 and 18 June 2019. No indication was given as to the timeline of the delivery of the 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.



**16. Debt and equity securities**

There were no issuances of shares, shares buy-backs and repayments of debt and equity securities by the Company during the financial period under review.

**17. Significant events**

There were no significant event subsequent to the end of the financial period under review that have not been reported in this report for the financial period under review.

**18. Regulatory capital requirements**

The Risk Based Capital ("RBC") Framework came into effect on 1 January 2009. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level determined by BNM or level determined under the Internal Capital Adequate Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Company has been in compliance with the said requirement.

The capital structure of the Company as at 30 September 2019, as prescribed under the RBC Framework is provided below:

	<b>30.9.2019</b>	<b>31.12.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Tier 1 Capital</b>		
Paid up share capital	379,168	379,168
Retained earnings	1,759,196	1,570,973
	<u>2,138,364</u>	<u>1,950,141</u>
<b>Tier 2 Capital</b>		
Reserves	96,213	30,148
	<u>96,213</u>	<u>30,148</u>
Amounts deducted from capital	(76,875)	(101,068)
<b>Total capital available</b>	<u><u>2,157,702</u></u>	<u><u>1,879,221</u></u>

**19. Events after the interim period**

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

## 20. Dividend paid

An interim dividend of 42.1 sen per ordinary share under single tier system amounting to RM159,629,809.25 for the financial year ended 31 December 2018 was paid to the entitled shareholder of the Company on 17 January 2019.

## 21. Changes in material litigations

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

The Company took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

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

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

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

The hearing on liability 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.

## 21. Changes in material litigations (continued)

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

On this basis, an Originating Summons was 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 Court had fixed the Hearing Date on 18 February 2019 and directed parties to file and exchange their respective Written Submissions by 11 February 2019. At the Hearing on 18 February 2019, the Company's solicitors presented their Oral Submissions and the Hearing continued on 13 March 2019 for VSC's solicitors to present their oral arguments. The Company's solicitors prepared and filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC then filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. The Court then fixed 29 May 2019 to deliver its Decision but on 28 May 2019, the Court notified parties that it was not yet ready to deliver its Decision and rescheduled the delivery of its Decision to 28 June 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award. The Company's solicitors had on 15 July 2019 filed a Notice of Appeal to the Court of Appeal against the Decision. At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019. At the case management on 9 October 2019 before the Court of Appeal, a further case management was fixed on 20 November 2019. On 20 November 2019, the Court of Appeal fixed a further case management on 13 January 2020, pending the High Court's substantive Grounds of Decision.

Meanwhile, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC, which if allowed, would result in AGIC having to pay VSC all the costs ordered by the Award. At the first case management on 26 September 2019, AGIC's solicitors informed the Court that as the Appeal was pending before the Court of Appeal, VSC's OS was premature. The Court then fixed a further case management on 3 October 2019 for VSC's solicitors to address the issue of holding over of VSC's OS, pending the determination of the Appeal. At the case management on 3 October 2019, the Court fixed a further case management date as VSC's solicitors required more time to obtain VSC's instructions on the holding over of VSC's OS. AGIC's solicitors then filed a stay application on VSC's OS. On 25 October 2019, as VSC's solicitors had no objections to AGIC's stay application, a further case management date was fixed for 7 November 2019, in order for the stay order to be formally recorded before a Judge. On 7 November 2019, the Judge allowed AGIC's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC'S OS should be withdrawn and filed afresh (should VSC succeed in dismissing the appeal), a further case management was fixed for 9 December 2019 in order for VSC's solicitors to obtain VSC's instructions.

## 22. Financial instruments

### 22.1 Fair value of financial instruments

The basis of estimation of fair values for financial instruments is as follows:

- (a) The fair values of structured deposits and negotiable instruments of deposit with licensed financial institutions are based on the indicative market prices from the issuing banks.
- (b) The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers in Malaysia and unquoted bonds of corporations are based on the fair values provided by its custodian bank.
- (c) The carrying amount of government guaranteed loans is assumed to reasonably approximate their fair values.
- (d) The carrying amounts of cash and cash equivalents, insurance receivables and other receivables, other financial liabilities, insurance payables, and other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimating the fair values of Malaysian government securities, Malaysian government guaranteed bonds and loans and unquoted bonds of corporations are based on the fair values provided by its custodian bank which involve projections of market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in the underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Company's investment in unquoted shares due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

## 22. Financial instruments (continued)

### 22.2 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

30.9.2019	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
<b>Financial assets</b>										
Malaysian government securities	-	1,526,716	-	1,526,716	-	-	-	-	1,526,716	1,526,716
Malaysian government guaranteed bonds	-	718,529	-	718,529	-	-	-	-	718,529	718,529
Unquoted debt securities	-	1,341,207	-	1,341,207	-	-	-	-	1,341,207	1,341,207
Unquoted unit trust in Malaysia	-	606,041	-	606,041	-	-	-	-	606,041	606,041
Negotiable instruments of deposit with licensed financial institutions	-	1,526,716	-	1,526,716	-	-	-	-	1,526,716	1,526,716
	-	5,719,209	-	5,719,209	-	-	-	-	5,719,209	5,719,209

## 22. Financial instruments (continued)

## 22.2 Fair value information (continued)

31.12.2018	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	-	1,531,876	-	1,531,876	-	-	-	-	1,531,876	1,531,876
Malaysian government guaranteed bonds	-	732,196	-	732,196	-	-	-	-	732,196	732,196
Unquoted debt securities	-	1,470,704	-	1,470,704	-	-	-	-	1,470,704	1,470,704
Unquoted unit trust in Malaysia	-	200,258	-	200,258	-	-	-	-	200,258	200,258
Structured deposits and negotiable instruments of deposit with licensed financial institutions	-	61,606	-	61,606	-	-	-	-	61,606	61,606
	-	3,996,640	-	3,996,640	-	-	-	-	3,996,640	3,996,640

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

### **22.2 Fair value information (continued)**

#### **Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

#### **Level 1 fair value**

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date.

#### **Level 2 fair value**

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets or liabilities, either directly or indirectly.

#### **Transfer between Level 1 and Level 2 fair values**

There has been no transfer between Level 1 and Level 2 fair values during the current interim period ended 30 September 2019 (2018: 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 29 are drawn up in accordance with MFRS 134, *Interim Financial Reporting* and IAS 34, *Interim Financial Reporting* so as to present fairly the financial position of the Company as of 30 September 2019 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: 27 November 2019