

**ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
(735426-V)**

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

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 INTERIM STATEMENT OF FINANCIAL POSITION**AS AT 30 JUNE 2014-UNAUDITED**

	Note	30.6.2014 RM'000	31.12.2013 RM'000
Assets			
Property, plant and equipment		54,058	54,392
Investment properties		2,300	2,300
Intangible assets		1,272	1,473
Deferred tax assets		12,737	18,081
Investments	7	3,103,209	2,837,410
Reinsurance assets	8	1,192,024	1,189,163
Insurance receivables		132,318	110,290
Loans and receivables		92,230	85,293
Deferred acquisition costs		77,986	68,881
Cash and cash equivalents		124,300	181,298
Total assets		4,792,434	4,548,581
Equity and liabilities			
Share capital		334,990	334,990
Retained earnings		881,257	747,905
Other reserves		(2,838)	(2,076)
Total equity		1,213,409	1,080,819
Insurance contract liabilities	9	3,248,228	3,102,181
Other financial liabilities		728	1,534
Insurance payables		222,757	224,141
Other payables and accruals		92,452	134,338
Current tax liabilities		14,860	5,568
Total liabilities		3,579,025	3,467,762
Total equity and liabilities		4,792,434	4,548,581

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

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS
FOR THE HALF-YEAR ENDED 30 JUNE 2014-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2014 RM'000	Preceding year Corresponding Half-Yearly 30.6.2013 RM'000	Current Year To Date 30.6.2014 RM'000	Preceding year Corresponding Period 30.6.2013 RM'000
Operating revenue	1,071,336	946,621	1,071,336	946,621
Gross earned premiums	1,011,776	895,459	1,011,776	895,459
Premiums ceded to reinsurers	(246,876)	(251,910)	(246,876)	(251,910)
Net earned premiums	764,900	643,549	764,900	643,549
Investment income	59,560	51,162	59,560	51,162
Realised gains and losses	180	2,143	180	2,143
Fee and commission income	40,252	45,002	40,252	45,002
Other operating income	985	1,114	985	1,114
Other income	100,977	99,421	100,977	99,421
Gross claim paid	(512,075)	(404,115)	(512,075)	(404,115)
Claims ceded to reinsurers	135,832	87,099	135,832	87,099
Gross change to contract liabilities	(59,294)	(23,295)	(59,294)	(23,295)
Change in contract liabilities ceded to reinsurers	(6,402)	(27,162)	(6,402)	(27,162)
Net claims incurred	(441,939)	(367,473)	(441,939)	(367,473)
Fee and commission expense	(116,783)	(105,899)	(116,783)	(105,899)
Management expenses	(129,160)	(122,152)	(129,160)	(122,152)
Other operating expenditure	485	(1,185)	485	(1,185)
Other expenses	(245,458)	(229,236)	(245,458)	(229,236)
Profit before tax	178,480	146,261	178,480	146,261
Tax expense	(45,128)	(38,656)	(45,128)	(38,656)
Profit for the period	133,352	107,605	133,352	107,605
Profit attributable to:				
Owners of the Company	133,352	107,605	133,352	107,605

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE HALF-YEAR ENDED 30 JUNE 2014-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2014 RM'000	Preceding year Corresponding Half-Yearly 30.6.2013 RM'000	Current Year To Date 30.6.2014 RM'000	Preceding year Corresponding Period 30.6.2013 RM'000
Profit for the period	133,352	107,605	133,352	107,605
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Available-for-sale fair value reserves	(1,016)	(10,643)	(1,016)	(10,643)
Tax effect thereon	254	2,662	254	2,662
	<u>(762)</u>	<u>(7,981)</u>	<u>(762)</u>	<u>(7,981)</u>
Total other comprehensive income for the period, net of tax	<u>(762)</u>	<u>(7,981)</u>	<u>(762)</u>	<u>(7,981)</u>
Total comprehensive income for the period	<u>132,590</u>	<u>99,624</u>	<u>132,590</u>	<u>99,624</u>
Total comprehensive income attributable to: Owners of the Company	<u>132,590</u>	<u>99,624</u>	<u>132,590</u>	<u>99,624</u>

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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(Incorporated in Malaysia)

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF-YEAR ENDED 30 JUNE 2014 - UNAUDITED

	← Non distributable →				Distributable	Total equity RM'000
	Share Capital	Capital reserve	Fair value reserve	Asset revaluation reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2013	334,990	4,523	17,006	4,982	589,879	951,380
Fair value of available-for-sale financial assets	-	-	(7,981)	-	-	(7,981)
Total other comprehensive income for the period	-	-	(7,981)	-	-	(7,981)
Profit for the period	-	-	-	-	107,605	107,605
Total comprehensive income for the period	-	-	(7,981)	-	107,605	99,624
Dividends payable to the owners of the Company	-	-	-	-	(40,031)	(40,031)
At 30 June 2013	334,990	4,523	9,025	4,982	657,453	1,010,973
At 1 January 2014	334,990	4,523	(11,581)	4,982	747,905	1,080,819
Fair value of available-for-sale financial assets	-	-	(762)	-	-	(762)
Total other comprehensive income for the period	-	-	(762)	-	-	(762)
Profit for the period	-	-	-	-	133,352	133,352
Total comprehensive income for the period	-	-	(762)	-	133,352	132,590
At 30 June 2014	334,990	4,523	(12,343)	4,982	881,257	1,213,409

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2014-UNAUDITED**

	As at 30.6.2014	As at 30.6.2013
Profit before tax	178,480	146,261
Investment income	(59,560)	(51,162)
Realised gains on disposal of available-for-sale financial investments	(180)	(2,143)
Purchases of available-for-sale financial investments	(516,156)	(687,103)
Proceeds from sale of available-for-sale financial investments	48,935	193,706
Maturity of available-for-sale financial investments	200,000	241,000
Non-cash items:		
Depreciation of property,plant and equipment	4,759	3,661
Amortisation of intangible assets	443	410
Allowance of impairment for doubtful debts	1,104	1,628
Bad debts recovered	(141)	(110)
Property,plant and equipment written off	31	4
Changes in working capital:		
Change in reinsurance assets	(2,861)	21,315
Change in insurance receivables	(22,991)	(31,540)
Change in loans and other receivables	(5,623)	(16,242)
Change in insurance contract liabilities	146,047	140,516
Change in other financial liabilities	(806)	(339)
Change in insurance payables	(1,384)	(18,420)
Change in other payables and accruals	(41,872)	49,129
Change in deferred acquisition cost	(9,105)	(11,331)
	<u>(80,880)</u>	<u>(20,760)</u>
Operating activities		
Dividend income received	31	31
Interest income received	58,773	53,713
Rental income received	28	28
Income tax paid	(30,238)	(28,789)
Net cash flows (used in)/generated from operating activities	<u>(52,286)</u>	<u>4,223</u>

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**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2014-UNAUDITED**

	As at 30.6.2014	As at 30.6.2013
Investing activities		
Proceeds from disposal of property, plant and equipment	32	250
Purchase of property, plant and equipment	(4,488)	(4,556)
Purchase of intangible assets	(242)	(175)
Net cash flows used in investing activities	<u>(4,698)</u>	<u>(4,481)</u>
Financing activities		
Repayment for lease arrangements	(14)	(24)
Net cash flows used in financing activities	<u>(14)</u>	<u>(24)</u>
Net decrease in cash and cash equivalents	(56,998)	(282)
Cash and cash equivalents at beginning of year	181,298	124,295
Cash and cash equivalents at end of period	<u>124,300</u>	<u>124,013</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	123,981	123,254
Cash and bank balances	319	759
	<u>124,300</u>	<u>124,013</u>

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Part A: Explanatory notes to the condensed financial statements

1. Basis of preparation

The condensed interim financial statements have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting and with 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 2013.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Company are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

Amendments to MFRS 136, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets

Amendments to MFRS 139, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting

IC Interpretation 21, Levies

The initial application of the aforesaid applicable standards, amendments is not expected to have any material financial impacts to the current and prior periods' financial statement upon their first adoption.

3. Items of an unusual nature

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

4. Changes in estimates

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

5. Seasonal or cyclical factors

The operations of the Company for the financial period under review 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. Investments

	30.6.2014	31.12.2013
	RM'000	RM'000
Malaysian government securities	1,444,552	1,349,658
Malaysian government guaranteed bonds and loans	565,085	499,862
Ringgit denominated bonds by foreign issuers in Malaysia	40,250	40,390
Debt securities	932,627	866,718
Unquoted equity securities	*	*
Structured deposits with licensed financial institutions	120,695	80,782
	<u>3,103,209</u>	<u>2,837,410</u>

* Denotes RM 4

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

	Current		Non-current		Total	
	30.6.2014	31.12.2013	30.6.2014	31.12.2013	30.6.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets ("AFS")	<u>3,103,209</u>	<u>2,837,410</u>	-	-	<u>3,103,209</u>	<u>2,837,410</u>

7. Investments (continued)

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

	30.6.2014		31.12.2013	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Available-for-sale				
Malaysian government securities	1,444,552	1,444,552	1,349,658	1,349,658
Malaysian government guaranteed bonds and loans	565,085	565,085	499,862	499,862
Ringgit denominated bonds by foreign issuers in Malaysia	40,250	40,250	40,390	40,390
Debt securities	932,627	932,627	866,718	866,718
Unquoted equity securities	*	-	*	-
Structured deposits with licensed financial institutions	120,695	120,695	80,782	80,782
	<u>3,103,209</u>	<u>3,103,209</u>	<u>2,837,410</u>	<u>2,837,410</u>

* Denotes RM 4

7. Investments (continued)

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

	AFS RM'000
At 1 January 2013	2,497,422
Purchases	1,009,708
Maturities	(288,000)
Disposals	(335,857)
Impairment	(3,726)
Fair value gains recorded in other comprehensive income	(38,117)
Accretion	2,533
Amortisation	(6,553)
At 31 December 2013	<u>2,837,409</u>
Purchases	516,156
Maturities	(200,000)
Disposals	(48,755)
Fair value gains recorded in other comprehensive income	(1,016)
Accretion	1,927
Amortisation	(2,513)
At 30 June 2014	<u><u>3,103,209</u></u>

7. Investments (continued)

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

- (a) The fair values of structured deposits 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 indicative market yields obtained from three financial institutions;
- (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, ringgit denominated bonds by foreign issuers in Malaysia and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions 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.

8. Reinsurance assets

	30.6.2014	31.12.2013
	RM'000	RM'000
Non-current		
Reinsurance of insurance contracts		
Claims liabilities	473,234	474,334
Current		
Reinsurance of insurance contracts		
Claims liabilities	374,022	379,324
Premium liabilities	344,768	335,505
	<u>718,790</u>	<u>714,829</u>
	<u>1,192,024</u>	<u>1,189,163</u>

9. Insurance contract liabilities

General insurance contract liabilities consist of:

	30.6.2014			31.12.2013		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported	1,569,567	(628,557)	941,010	1,564,159	(653,973)	910,186
Provision for incurred but not reported claims	582,819	(218,699)	364,120	528,933	(199,685)	329,248
Provision for outstanding claims (i)	2,152,386	(847,256)	1,305,130	2,093,092	(853,658)	1,239,434
Provision for unearned premiums (ii)	1,095,842	(344,768)	751,074	1,009,089	(335,505)	673,584
	<u>3,248,228</u>	<u>(1,192,024)</u>	<u>2,056,204</u>	<u>3,102,181</u>	<u>(1,189,163)</u>	<u>1,913,018</u>

9. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2014			31.12.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	2,093,092	(853,658)	1,239,434	1,921,454	(872,567)	1,048,887
Claims incurred in the current accident year	595,188	(122,135)	473,053	1,148,400	(272,749)	875,651
Adjustment to claims incurred in prior accident year	13,487	(1,967)	11,520	43,985	(5,537)	38,447
Other movements in claims incurred in prior accident year	(37,306)	(5,328)	(42,634)	(225,312)	126,840	(98,473)
Claims paid during the year	(512,075)	135,832	(376,243)	(795,435)	170,355	(625,080)
At 30 June / 31 December	2,152,386	(847,256)	1,305,130	2,093,092	(853,658)	1,239,433

(ii) Provision for unearned premium

	30.6.2014			31.12.2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,009,089	(335,505)	673,584	760,886	(211,368)	549,518
Premiums written in the year	1,098,529	(256,139)	842,390	1,978,652	(498,832)	1,479,820
Premiums earned during the year	(1,011,776)	246,876	(764,900)	(1,730,449)	374,695	(1,355,754)
At 30 June / 31 December	1,095,842	(344,768)	751,074	1,009,089	(335,505)	673,584

10. Changes in group composition

There were no changes in the composition of the Company during the financial period under review.

11. Capital commitments

	30.6.2014 RM'000	31.12.2013 RM'000
Property, plant and equipment		
Approved but not contracted for	86,023	91,191
Contracted but not provided for	1,497	3,408
	<u> </u>	<u> </u>

12. Operating leases

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

	30.6.2014 RM'000	31.12.2013 RM'000
Less than one year	7,944	10,028
Between one and five years	7,531	10,624
	<u>15,475</u>	<u>20,652</u>

13. Related party transactions

Significant related party transactions are as follows:

	Transaction value Six months ended	
	30.6.2014 RM'000	30.6.2013 RM'000
Related companies*		
Reinsurance premium and commission	(117,080)	(100,961)
	<u> </u>	<u> </u>

*Related companies are companies within the Allianz SE Group.

14. Changes in contingent liabilities

There were no contingent liabilities as the date of this report.

15. Debt and equity securities

There were no issuances and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the half-year under review.

16. Regulatory capital requirements

	30.6.2014	31.12.2013
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	334,990	334,990
Retained earnings	881,257	747,905
	<u>1,216,247</u>	<u>1,082,895</u>
Tier 2 Capital		
Reserves	(2,838)	(2,076)
Subordinated loans	20,900	20,900
	<u>18,062</u>	<u>18,824</u>
Amounts deducted from capital	(14,009)	(18,081)
Total capital available	<u><u>1,220,300</u></u>	<u><u>1,083,638</u></u>

17. Subsequent events

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

18. Dividend paid

No dividend paid for the financial period under review. (2013: RM Nil)