

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2017

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 2017-UNAUDITED**

	Note	30.6.2017 RM'000	31.12.2016 RM'000
Assets			
Property, plant and equipment		77,795	82,930
Investment properties		26,497	26,497
Intangible assets		81,484	10,725
Deferred tax assets		9,818	14,613
Investments		3,966,620	3,944,542
Reinsurance assets	7	844,306	920,936
Insurance receivables		233,353	219,515
Loans and receivables		149,619	124,131
Deferred acquisition costs		95,683	86,928
Current tax assets		7,016	-
Cash and cash equivalents		160,014	174,017
Total assets		5,652,205	5,604,834
Equity and liabilities			
Share capital		379,168	379,168
Retained earnings		1,489,963	1,376,249
Other reserves		30,838	17,747
Total equity		1,899,969	1,773,164
Insurance contract liabilities	8	3,392,968	3,420,542
Other financial liabilities		30	37
Insurance payables		223,095	219,576
Other payables and accruals		136,143	190,858
Current tax liabilities		-	657
Total liabilities		3,752,236	3,831,670
Total equity and liabilities		5,652,205	5,604,834

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 2017-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2017 RM'000	Preceding year Corresponding Half-Yearly 30.6.2016 RM'000	Current Year To Date 30.6.2017 RM'000	Preceding year Corresponding Period 30.6.2016 RM'000
Operating revenue	1,129,333	1,128,106	1,129,333	1,128,106
Gross earned premiums	1,046,511	1,050,247	1,046,511	1,050,247
Premiums ceded to reinsurers	(145,129)	(175,833)	(145,129)	(175,833)
Net earned premiums	901,382	874,414	901,382	874,414
Investment income	82,822	77,859	82,822	77,859
Realised gains and losses	1,220	2,738	1,220	2,738
Fee and commission income	17,788	29,562	17,788	29,562
Other operating income	888	2,541	888	2,541
Other revenue	102,718	112,700	102,718	112,700
Gross claim paid	(667,464)	(661,588)	(667,464)	(661,588)
Claims ceded to reinsurers	97,643	129,045	97,643	129,045
Gross change to contract liabilities	93,031	69,644	93,031	69,644
Change in contract liabilities ceded to reinsurers	(65,193)	(77,092)	(65,193)	(77,092)
Net claims incurred	(541,983)	(539,991)	(541,983)	(539,991)
Fee and commission expense	(129,272)	(128,771)	(129,272)	(128,771)
Management expenses	(178,241)	(140,279)	(178,241)	(140,279)
Other operating expenditure	(1,315)	(953)	(1,315)	(953)
Other expenses	(308,828)	(270,003)	(308,828)	(270,003)
Profit before tax	153,289	177,120	153,289	177,120
Tax expense	(39,575)	(45,468)	(39,575)	(45,468)
Profit for the period	113,714	131,652	113,714	131,652
Profit attributable to:				
Owners of the Company	113,714	131,652	113,714	131,652

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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 2017-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2017 RM'000	Preceding year Corresponding Half-Yearly 30.6.2016 RM'000	Current Year To Date 30.6.2017 RM'000	Preceding year Corresponding Period 30.6.2016 RM'000
Profit for the period	113,714	131,652	113,714	131,652
Other comprehensive income				
Item that may be reclassified subsequently to profit or loss				
Available-for-sale fair value reserves	17,225	27,502	17,225	27,502
Tax effect thereon	(4,134)	(6,600)	(4,134)	(6,600)
	<u>13,091</u>	<u>20,902</u>	<u>13,091</u>	<u>20,902</u>
Other comprehensive income for the period, net of tax	<u>13,091</u>	<u>20,902</u>	<u>13,091</u>	<u>20,902</u>
Total comprehensive income for the period	<u>126,805</u>	<u>152,554</u>	<u>126,805</u>	<u>152,554</u>
Total comprehensive income attributable to: Owners of the Company	<u>126,805</u>	<u>152,554</u>	<u>126,805</u>	<u>152,554</u>

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE HALF-YEAR ENDED 30 JUNE 2017 - 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 2016	379,168	4,523	628	7,666	1,218,058	1,610,043
Fair value of available-for-sale financial assets	-	-	20,902	-	-	20,902
Total other comprehensive income for the period	-	-	20,902	-	-	20,902
Profit for the period	-	-	-	-	131,652	131,652
Total comprehensive income for the period	-	-	20,902	-	131,652	152,554
<i>Contributions by and distributions to owner of the Company</i>						
- Dividends paid to the owner of the Company	-	-	-	-	(25,025)	(25,025)
At 30 June 2016	379,168	4,523	21,530	7,666	1,324,685	1,737,572
At 1 January 2017	379,168	4,523	(2,318)	15,542	1,376,249	1,773,164
Fair value of available-for-sale financial assets	-	-	13,091	-	-	13,091
Total other comprehensive income for the period	-	-	13,091	-	-	13,091
Profit for the period	-	-	-	-	113,714	113,714
Total comprehensive income for the period	-	-	13,091	-	113,714	126,805
At 30 June 2017	379,168	4,523	10,773	15,542	1,489,963	1,899,969

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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 2017-UNAUDITED**

	As at 30.6.2017	As at 30.6.2016
Operating activities		
Profit before tax	153,289	177,120
Investment income	(82,822)	(77,859)
Realised gains recorded in profit or loss	(1,220)	(2,738)
Purchases of available-for-sale financial investments	(290,449)	(464,948)
Placement of fixed deposits	(4,586)	(120,000)
Maturity of fixed deposits	114,400	-
Proceeds from sale of available-for-sale financial investments	163,585	243,238
Maturity of available-for-sale financial investments	15,000	340,000
Non-cash items:		
Depreciation of property, plant and equipment	5,383	5,496
Amortisation of intangible assets	1,984	966
Allowance for impairment loss on receivables	19,650	3,437
Bad debts recovered	(152)	(64)
Property, plant and equipment written off	1	13
Bad debts written off on receivables	206	340
Interest expense	202	227
Changes in working capital:		
Change in reinsurance assets	76,630	76,171
Change in insurance receivables	(33,542)	(33,559)
Change in loans and other receivables	(27,407)	4,314
Change in deferred acquisition costs	(8,755)	(6,049)
Change in insurance contract liabilities	(27,574)	(32,804)
Change in other financial liabilities	(7)	-
Change in other financial assets	-	(31)
Change in insurance payables	3,519	(12,316)
Change in other payables and accruals	(54,917)	(16,183)
	<u>22,418</u>	<u>84,771</u>
Interest income received	83,076	76,060
Rental income received	41	40
Income tax paid	(46,587)	(47,866)
Net cash flows generated from operating activities	<u>58,948</u>	<u>113,005</u>

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ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

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**CONDENSED INTERIM STATEMENT OF CASH FLOW
FOR THE HALF-YEAR ENDED 30 JUNE 2017-UNAUDITED**

	As at 30.6.2017	As at 30.6.2016
Investing activities		
Proceeds from disposal of property, plant and equipment	1,270	9
Purchase of property, plant and equipment	(1,478)	(3,391)
Purchase of intangible assets	(72,743)	(1,911)
Net cash flows used in investing activities	<u>(72,951)</u>	<u>(5,293)</u>
Financing activities		
Dividend paid to owner of the Company	-	(25,025)
Net cash flows used in financing activities	<u>-</u>	<u>(25,025)</u>
Net (decrease)/ increase in cash and cash equivalents	(14,003)	82,687
Cash and cash equivalents at beginning of year	174,017	162,557
Cash and cash equivalents at end of period	<u>160,014</u>	<u>245,244</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	159,594	244,626
Cash and bank balances	420	618
	<u>160,014</u>	<u>245,244</u>

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Part A: Explanatory notes to the condensed financial statements

1. Basis of preparation

The condensed interim financial statements of the Company have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134, Interim Financial Reporting and International Accounting Standards ("IAS") 34, Interim Financial Reporting. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Company's annual financial statements for the year ended 31 December 2016.

2. Changes in accounting policies

The accounting policies and presentation adopted by the Company for the Report are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2016, except for the adoption of the following:

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

Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

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

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

The initial application of the abovementioned accounting standards, amendments and interpretations did not have any material impacts to the current and prior period financial statements of the Company 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 basis used for 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. There were no changes in the valuation of property, plant and equipment that were brought forward from the Company's audited financial statements for the year ended 31 December 2016.

7. Reinsurance assets

	30.6.2017	31.12.2016
	RM'000	RM'000
Non-current		
Reinsurance of insurance contracts		
Claims liabilities	274,533	322,935
Current		
Reinsurance of insurance contracts		
Claims liabilities	414,136	430,927
Premium liabilities	155,637	167,074
	<u>569,773</u>	<u>598,001</u>
	<u>844,306</u>	<u>920,936</u>

8. Insurance contract liabilities

General insurance contract liabilities consist of:

	30.6.2017			31.12.2016		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported	1,680,964	(507,491)	1,173,473	1,677,124	(544,462)	1,132,662
Provision for incurred but not reported claims	625,827	(181,178)	444,649	722,698	(209,400)	513,298
Provision for outstanding claims (i)	2,306,791	(688,669)	1,618,122	2,399,822	(753,862)	1,645,960
Provision for unearned premiums (ii)	1,086,177	(155,637)	930,540	1,020,720	(167,074)	853,646
	<u>3,392,968</u>	<u>(844,306)</u>	<u>2,548,662</u>	<u>3,420,542</u>	<u>(920,936)</u>	<u>2,499,606</u>

8. Insurance contract liabilities (continued)

(i) Provision for outstanding claims

	30.6.2017			31.12.2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	2,399,822	(753,862)	1,645,960	2,460,011	(878,371)	1,581,640
Claims incurred in the current accident year	710,781	(81,631)	629,150	1,430,683	(230,583)	1,200,100
Adjustment to claims incurred in prior accident year	(22,435)	10,946	(11,489)	(30,806)	24,623	(6,183)
Other movements in claims incurred in prior accident year	(113,913)	38,235	(75,678)	(208,773)	93,009	(115,764)
Claims paid during the year	(667,464)	97,643	(569,820)	(1,251,293)	237,460	(1,013,833)
At 30 June / 31 December	2,306,791	(688,669)	1,618,122	2,399,822	(753,862)	1,645,960

(ii) Provision for unearned premium

	30.6.2017			31.12.2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,020,720	(167,074)	853,646	1,020,899	(185,859)	835,040
Premiums written in the year	1,111,967	(133,691)	978,276	2,082,923	(321,305)	1,761,618
Premiums earned during the year	(1,046,511)	145,129	(901,382)	(2,083,102)	340,090	(1,743,012)
At 30 June / 31 December	1,086,177	(155,637)	930,540	1,020,720	(167,074)	853,646

9. Changes in group composition

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

10. Capital commitments

	30.6.2017 RM'000	31.12.2016 RM'000
Property, plant and equipment		
Approved but not contracted for	10,411	11,859
Contracted but not provided for	645	372
	<u>10,411</u>	<u>11,859</u>
Software development		
Approved but not contracted for	21,195	28,211
Contracted but not provided for	2,237	372
	<u>21,195</u>	<u>28,211</u>

11. Operating leases

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

	30.6.2017 RM'000	31.12.2016 RM'000
Less than one year	2,826	7,128
Between one and five years	2,058	2,000
	<u>4,884</u>	<u>9,128</u>

12. Related party transactions

Significant related party transactions are as follows:

	Transaction value Six months ended	
	30.6.2017 RM'000	30.6.2016 RM'000
Related companies*		
Reinsurance premium and commission	(69,607)	(86,963)
	<u>(69,607)</u>	<u>(86,963)</u>

*Related companies are companies within the Allianz SE Group.

13. 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. As of date of reporting, a date for oral representation has yet to be fixed by MyCC.

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.

14. Debt and equity securities

There were no issuances of shares, shares buy-backs and repayment of debt and equity securities by the Company during the half-year under review.

15. Regulatory capital requirements

	30.6.2017 RM'000	31.12.2016 RM'000
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,489,963	1,376,249
	<u>1,869,131</u>	<u>1,755,417</u>
Tier 2 Capital		
Reserves	30,838	17,747
	<u>30,838</u>	<u>17,747</u>
Amounts deducted from capital	(91,302)	(25,338)
Total capital available	<u><u>1,808,667</u></u>	<u><u>1,747,826</u></u>

16. Significant events

The Company and Standard Chartered Bank Malaysia Berhad ("SCB") entered into a 15-year bancassurance agreement for the distribution of general insurance products; the agreement was signed on 21 April 2017. The bancassurance arrangement commenced on 1 July 2017 as mutually agreed between the Company and SCB.

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 for the financial period under review.

18. Dividend paid

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

A first and final dividend of 6.6 sen per ordinary share under single tier system totalling RM25,025,100 in respect of the financial year ended 31 December 2015 was paid on 7 June 2016.