

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

UNAUDITED INTERIM FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 30 JUNE 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 INTERIM STATEMENT OF FINANCIAL POSITION****AS AT 30 JUNE 2018-UNAUDITED**

	Note	30.6.2018 RM'000	31.12.2017 RM'000
<b>Assets</b>			
Property, plant and equipment		83,283	85,674
Investment properties		16,074	16,074
Intangible assets		87,177	85,682
Deferred tax assets		25,191	23,275
Investments		4,127,596	4,106,343
Reinsurance assets	7	825,109	855,672
Insurance receivables		198,146	196,187
Loans and receivables		135,564	123,074
Deferred acquisition costs		95,189	94,056
Current tax assets		-	803
Cash and cash equivalents		236,780	213,035
<b>Total assets</b>		<b>5,830,109</b>	<b>5,799,875</b>
<b>Equity and liabilities</b>			
Share capital		379,168	379,168
Retained earnings		1,618,248	1,498,119
Other reserves		15,373	29,723
<b>Total equity</b>		<b>2,012,789</b>	<b>1,907,010</b>
Insurance contract liabilities	8	3,452,715	3,474,774
Insurance payables		217,309	217,532
Other payables and accruals		138,156	200,559
Current tax liabilities		9,140	-
<b>Total liabilities</b>		<b>3,817,320</b>	<b>3,892,865</b>
<b>Total equity and liabilities</b>		<b>5,830,109</b>	<b>5,799,875</b>

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 2018-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2018 RM'000	Preceding year Corresponding Half-Yearly 30.6.2017 RM'000	Current Year To Date 30.6.2018 RM'000	Preceding year Corresponding Period 30.6.2017 RM'000
Operating revenue	1,178,559	1,129,333	1,178,559	1,129,333
Gross earned premiums	1,090,035	1,046,511	1,090,035	1,046,511
Premiums ceded to reinsurers	(137,097)	(145,129)	(137,097)	(145,129)
<b>Net earned premiums</b>	<b>952,938</b>	<b>901,382</b>	<b>952,938</b>	<b>901,382</b>
Investment income	88,524	82,822	88,524	82,822
Realised gains and losses	103	1,220	103	1,220
Fee and commission income	16,588	17,788	16,588	17,788
Other operating income	376	888	376	888
<b>Other revenue</b>	<b>105,591</b>	<b>102,718</b>	<b>105,591</b>	<b>102,718</b>
Gross claim paid	(667,628)	(667,464)	(667,628)	(667,464)
Claims ceded to reinsurers	61,250	97,643	61,250	97,643
Gross change to contract liabilities	27,833	93,031	27,833	93,031
Change in contract liabilities ceded to reinsurers	(11,978)	(65,193)	(11,978)	(65,193)
<b>Net claims incurred</b>	<b>(590,523)</b>	<b>(541,983)</b>	<b>(590,523)</b>	<b>(541,983)</b>
Fee and commission expense	(135,497)	(129,272)	(135,497)	(129,272)
Management expenses	(164,972)	(178,241)	(164,972)	(178,241)
Other operating expenditure	(2,181)	(1,315)	(2,181)	(1,315)
<b>Other expenses</b>	<b>(302,650)</b>	<b>(308,828)</b>	<b>(302,650)</b>	<b>(308,828)</b>
<b>Profit before tax</b>	<b>165,356</b>	<b>153,289</b>	<b>165,356</b>	<b>153,289</b>
Tax expense	(45,227)	(39,575)	(45,227)	(39,575)
<b>Profit for the period</b>	<b>120,129</b>	<b>113,714</b>	<b>120,129</b>	<b>113,714</b>
<b>Profit attributable to:</b>				
Owners of the Company	120,129	113,714	120,129	113,714

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 AND OTHER COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED 30 JUNE 2018-UNAUDITED**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Half-Yearly 30.6.2018 RM'000	Preceding year Corresponding Half-Yearly 30.6.2017 RM'000	Current Year To Date 30.6.2018 RM'000	Preceding year Corresponding Period 30.6.2017 RM'000
<b>Profit for the period</b>	120,129	113,714	120,129	113,714
<b>Other comprehensive income</b>				
<b>Item that may be reclassified subsequently to profit or loss</b>				
Available-for-sale fair value reserves	(18,881)	17,225	(18,881)	17,225
Tax effect thereon	4,531	(4,134)	4,531	(4,134)
	<u>(14,350)</u>	<u>13,091</u>	<u>(14,350)</u>	<u>13,091</u>
<b>Other comprehensive income for the period, net of tax</b>	<u>(14,350)</u>	<u>13,091</u>	<u>(14,350)</u>	<u>13,091</u>
<b>Total comprehensive income for the period</b>	<u>105,779</u>	<u>126,805</u>	<u>105,779</u>	<u>126,805</u>
<b>Total comprehensive income attributable to: Owners of the Company</b>	<u>105,779</u>	<u>126,805</u>	<u>105,779</u>	<u>126,805</u>

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

(Company No. 735426-V)

(Incorporated in Malaysia)

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY**

**FOR THE HALF-YEAR ENDED 30 JUNE 2018 - UNAUDITED**

	← Non distributable →				Distributable	Total equity
	Share Capital	Capital reserve	Fair value reserve	Asset revaluation reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2016</b>	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
<b>Total other comprehensive income for the period</b>	-	-	13,091	-	-	13,091
Profit for the period	-	-	-	-	113,714	113,714
<b>Total comprehensive income for the period</b>	-	-	13,091	-	113,714	126,805
<b>At 30 June 2017</b>	379,168	4,523	10,773	15,542	1,489,963	1,899,969
<b>At 1 January 2017</b>	379,168	4,523	9,658	15,542	1,498,119	1,907,010
Fair value of available-for-sale financial assets	-	-	(14,350)	-	-	(14,350)
<b>Total other comprehensive income for the period</b>	-	-	(14,350)	-	-	(14,350)
Profit for the period	-	-	-	-	120,129	120,129
<b>Total comprehensive income for the period</b>	-	-	(14,350)	-	120,129	105,779
<b>At 30 June 2018</b>	379,168	4,523	(4,692)	15,542	1,618,248	2,012,789

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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 2018-UNAUDITED**

	As at 30.6.2018	As at 30.6.2017
<b>Operating activities</b>		
<b>Profit before tax</b>	165,356	153,289
Investment income	(88,524)	(82,822)
Realised gains recorded in profit or loss	(103)	(1,220)
Purchases of available-for-sale financial investments	(220,063)	(290,449)
Placement of fixed deposits	(60,735)	(4,586)
Maturity of fixed deposits	64,586	114,400
Proceeds from sale of available-for-sale financial investments	25,988	163,585
Maturity of available-for-sale financial investments	151,988	15,000
<b>Non-cash items:</b>		
Depreciation of property, plant and equipment	4,941	5,383
Amortisation of intangible assets	5,085	1,984
Allowance for impairment loss on receivables	3,224	19,650
Bad debts recovered	(47)	(152)
Property, plant and equipment written off	23	1
Bad debts written off on receivables	106	206
Interest expense	359	202
<b>Changes in working capital:</b>		
Change in reinsurance assets	30,563	76,630
Change in insurance receivables	(5,242)	(33,542)
Change in loans and other receivables	(13,288)	(27,407)
Change in deferred acquisition costs	(1,133)	(8,755)
Change in insurance contract liabilities	(22,059)	(27,574)
Change in other financial liabilities	-	(7)
Change in insurance payables	(223)	3,519
Change in other payables and accruals	(62,762)	(54,917)
	<u>(21,960)</u>	<u>22,418</u>
Interest income received	87,358	83,076
Rental income received	173	41
Income tax paid	(32,668)	(46,587)
<b>Net cash flows generated from operating activities</b>	<u>32,903</u>	<u>58,948</u>

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 CASH FLOW FOR THE HALF-YEAR ENDED 30 JUNE 2018-UNAUDITED

	As at 30.6.2018	As at 30.6.2017
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	-	1,270
Purchase of property, plant and equipment	(2,578)	(1,478)
Purchase of intangible assets	(6,580)	(72,743)
<b>Net cash flows used in investing activities</b>	<b>(9,158)</b>	<b>(72,951)</b>
Net (decrease)/ increase in cash and cash equivalents	23,745	(14,003)
Cash and cash equivalents at beginning of year	213,035	174,017
Cash and cash equivalents at end of period	<u>236,780</u>	<u>160,014</u>
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institution (with maturity of less than three months)	234,699	159,594
Cash and bank balances	2,081	420
	<u>236,780</u>	<u>160,014</u>

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

# ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

(Company No. 735426-V)

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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, and Paragraph 9.22 of the Bursa Malaysia Securities Berhad ("Bursa Securities") Listing Requirements. 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.

### 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 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*

IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

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

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

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

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period 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 2017.

**7. Reinsurance assets**

	<b>30.6.2018</b>	<b>31.12.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current</b>		
<b>Reinsurance of insurance contracts</b>		
Claims liabilities	260,411	264,972
<b>Current</b>		
<b>Reinsurance of insurance contracts</b>		
Claims liabilities	423,515	430,932
Premium liabilities	141,183	159,768
	<u>564,698</u>	<u>590,700</u>
	<u>825,109</u>	<u>855,672</u>

**8. Insurance contract liabilities**

General insurance contract liabilities consist of:

	<b>30.6.2018</b>			<b>31.12.2017</b>		
	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for claims reported	1,694,290	(479,718)	1,214,572	1,690,485	(477,441)	1,213,044
Provision for incurred but not reported claims	680,262	(204,208)	476,054	711,900	(218,463)	493,437
Provision for outstanding claims (i)	2,374,552	(683,926)	1,690,626	2,402,385	(695,904)	1,706,481
Provision for unearned premiums (ii)	1,078,163	(141,183)	936,980	1,072,389	(159,768)	912,621
	<u>3,452,715</u>	<u>(825,109)</u>	<u>2,627,606</u>	<u>3,474,774</u>	<u>(855,672)</u>	<u>2,619,102</u>

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

## (i) Provision for outstanding claims

	30.6.2018			31.12.2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	2,402,385	(695,904)	1,706,481	2,399,822	(753,862)	1,645,960
Claims incurred in the current accident year	741,870	(91,995)	649,875	1,471,639	(191,708)	1,279,931
Adjustment to claims incurred in prior accident year	(9,417)	5,206	(4,211)	(10,687)	(4,299)	(14,986)
Other movements in claims incurred in prior accident year	(92,658)	37,517	(55,141)	(91,858)	(37,764)	(129,622)
Claims paid during the year	(667,628)	61,250	(606,378)	(1,366,531)	291,729	(1,074,802)
At 30 June / 31 December	<u>2,374,552</u>	<u>(683,926)</u>	<u>1,690,626</u>	<u>2,402,385</u>	<u>(695,904)</u>	<u>1,706,481</u>

## (ii) Provision for unearned premium

	30.6.2018			31.12.2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January	1,072,389	(159,768)	912,621	1,020,720	(167,074)	853,646
Premiums written in the year	1,095,809	(118,512)	977,297	2,135,813	(245,018)	1,890,795
Premiums earned during the year	(1,090,035)	137,097	(952,938)	(2,084,144)	252,324	(1,831,820)
At 30 June / 31 December	<u>1,078,163</u>	<u>(141,183)</u>	<u>936,980</u>	<u>1,072,389</u>	<u>(159,768)</u>	<u>912,621</u>

## 9. Changes in group composition

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

## 10. Capital commitments

	30.6.2018 RM'000	31.12.2017 RM'000
Property, plant and equipment Contracted but not provided for	395	634
Software development Contracted but not provided for	225	1,779

## 11. Operating leases

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

	30.6.2018 RM'000	31.12.2017 RM'000
Less than one year	9,205	4,396
Between one and five years	8,776	4,693
	<u>17,981</u>	<u>9,089</u>

## 12. Related party transactions

Significant related party transactions are as follows:

	Transaction value Six months ended	
	30.6.2018 RM'000	30.6.2017 RM'000
<b>Related companies*</b>		
Reinsurance premium and commission	<u>(70,465)</u>	<u>(69,607)</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. 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.

### **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**

	<b>30.6.2018</b>	<b>30.6.2017</b>
	<b>RM'000</b>	<b>RM'000</b>
Tier 1 Capital		
Paid up share capital	379,168	379,168
Retained earnings	1,618,248	1,489,963
	<u>1,997,416</u>	<u>1,869,131</u>
Tier 2 Capital		
Reserves	15,373	30,838
	<u>15,373</u>	<u>30,838</u>
Amounts deducted from capital	(112,368)	(91,302)
<b>Total capital available</b>	<u><u>1,900,421</u></u>	<u><u>1,808,667</u></u>

**16. 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.

**17. 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.

**18. Changes in material litigation**

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 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.

## 18. Changes in material litigation (continued)

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 8 November 2018.