

ALLIANZ MALAYSIA BERHAD (12428-W)

AUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2014

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 December 2014 - audited**

	31 December 2014 RM'000	31 December 2013 RM'000
Assets		
Property, plant and equipment	114,379	116,486
Intangible assets	311,935	325,328
Investment properties	3,300	5,600
Deferred tax assets	21,322	18,082
Derivative financial assets	7,669	-
Reinsurance assets	1,318,213	1,266,704
Investments	9,208,241	7,997,409
Current tax assets	728	3,363
Insurance receivables	197,613	163,041
Other receivables, deposits and prepayments	239,317	175,369
Deferred acquisitions costs	77,426	68,881
Cash and cash equivalents	666,583	618,499
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Total assets	12,166,726	10,758,762
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ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position
as at 31 December 2014 - audited (continued)**

	31 December 2014 RM'000	31 December 2013 RM'000
Equity		
Share capital	167,488	160,752
Irredeemable Convertible Preference Shares ("ICPS")	178,718	185,454
Reserves	1,943,573	1,677,976
Total equity attributable to owners of the Company	2,289,779	2,024,182
Liabilities		
Insurance contract liabilities	8,821,892	7,770,113
Deferred tax liabilities	142,777	127,179
Derivative financial liabilities	161	20,950
Other financial liabilities	5,739	3,612
Insurance payables	353,177	337,233
Other payables and accruals	374,315	351,782
Benefits and claims liabilities	167,702	117,858
Current tax liabilities	11,184	5,853
Total liabilities	9,876,947	8,734,580
Total equity and liabilities	12,166,726	10,758,762
Net asset per ordinary share (RM)	13.67	12.59
Diluted net asset per ordinary share (RM)	6.61	5.85

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
For the year ended 31 December 2014 - audited**

	Note	Individual period		Cumulative period	
		Three months ended 31 December		Twelve months ended 31 December	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,225,085	931,850	4,376,184	3,649,389
Gross earned premiums		1,124,952	846,398	4,000,791	3,330,255
Premiums ceded to reinsurers		(282,419)	(31,698)	(746,458)	(475,842)
Net earned premiums		842,533	814,700	3,254,333	2,854,413
Investment income	4	100,133	85,452	375,393	319,134
Realised gains and losses	5	(28,455)	5,278	23,313	64,004
Fair value gains and losses	6	(56,983)	(27,147)	(15,872)	(72,857)
Fee and commission income		27,590	21,858	98,785	94,184
Other operating income		5,187	3,273	22,204	11,134
Other revenue		47,472	88,714	503,823	415,599
Gross benefits and claims paid		(364,745)	(326,849)	(1,600,463)	(1,273,418)
Claims ceded to reinsurers		(37,974)	63,774	263,626	253,876
Gross change in contract liabilities		(251,557)	(320,820)	(1,113,527)	(924,206)
Change in contract liabilities ceded to reinsurers		134,932	12,518	160,390	(27,905)
Net benefits and claims		(519,344)	(571,377)	(2,289,974)	(1,971,653)
Fee and commission expense		(154,162)	(149,765)	(574,894)	(535,418)
Management expenses		(104,753)	(106,848)	(436,026)	(400,024)
Other operating expenses		(11,741)	(6,799)	(33,732)	(23,686)
Other expenses		(270,656)	(263,412)	(1,044,652)	(959,128)
Profit before taxation	7	100,005	68,625	423,530	339,231
Tax expense	8	(28,953)	(20,752)	(127,628)	(101,310)
Profit for the year		71,052	47,873	295,902	237,921

* Operating revenue consists of gross earned premiums and investment income.

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

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2014 - audited**

	Note	Individual period		Cumulative period	
		Three months ended 31 December		Twelve months ended 31 December	
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Profit for the year attributable to owners of the Company		71,052	47,873	295,902	237,921
Items that may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets		(12,135)	(18,002)	(2,209)	(42,937)
Tax effects thereon		3,030	4,509	554	10,752
		<u>(9,105)</u>	<u>(13,493)</u>	<u>(1,655)</u>	<u>(32,185)</u>
Total other comprehensive loss for the year, net of tax		<u>(9,105)</u>	<u>(13,493)</u>	<u>(1,655)</u>	<u>(32,185)</u>
Total comprehensive income for the year		<u>61,947</u>	<u>34,380</u>	<u>294,247</u>	<u>205,736</u>
Profit attributable to: Owners of the Company		<u>71,052</u>	<u>47,873</u>	<u>295,902</u>	<u>237,921</u>
Total comprehensive income for the year attributable to: Owners of the Company		<u>61,947</u>	<u>34,380</u>	<u>294,247</u>	<u>205,736</u>
Basic earnings per ordinary share (sen)	12(a)	<u>44.19</u>	<u>30.12</u>	<u>178.49</u>	<u>149.24</u>
Diluted earnings per ordinary share (sen)	12(b)	<u>17.40</u>	<u>11.87</u>	<u>71.58</u>	<u>58.94</u>

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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the year ended 31 December 2014 - audited

	← Attributable to owners of the Company →							
	← Non-distributable →					Distributable		
	Share Capital	Preference Shares	Share Premium	Asset Revaluation Reserve	Fair Value Reserve	Life Non Participating Surplus*	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013	158,636	187,570	424,823	25,122	19,347	279,420	745,868	1,840,786
Fair value of AFS financial assets	-	-	-	-	(32,185)	-	-	(32,185)
Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-
Total other comprehensive loss for the year	-	-	-	-	(32,185)	-	-	(32,185)
Profit for the year	-	-	-	-	-	42,740	195,181	237,921
Total comprehensive income for the year	-	-	-	-	(32,185)	42,740	195,181	205,736
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	2,116	(2,116)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(22,340)	(22,340)
Total transactions with owners of the Company	2,116	(2,116)	-	-	-	-	(22,340)	(22,340)
At 31 December 2013	160,752	185,454	424,823	25,122	(12,838)	322,160	918,709	2,024,182

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the year ended 31 December 2014 - audited (continued)

	←----- Attributable to owners of the Company -----→							-----→
	Share Capital	Preference Shares	Share Premium	Non-distributable		Distributable		
					Asset Revaluation Reserve	Fair Value Reserve	Life Non Participating Surplus*	Retained Earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2014	160,752	185,454	424,823	25,122	(12,838)	322,160	918,709	2,024,182
Fair value of AFS financial assets	-	-	-	-	(1,655)	-	-	(1,655)
Realisation of revaluation gain due to disposal of property, plant and equipment	-	-	-	(11)	-	-	11	-
Total other comprehensive loss for the year	-	-	-	(11)	(1,655)	-	11	(1,655)
Profit for the year	-	-	-	-	-	56,394	239,508	295,902
Total comprehensive income for the year	-	-	-	(11)	(1,655)	56,394	239,519	294,247
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	6,736	(6,736)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(28,650)	(28,650)
Total transactions with owners of the Company	6,736	(6,736)	-	-	-	-	(28,650)	(28,650)
At 31 December 2014	167,488	178,718	424,823	25,111	(14,493)	378,554	1,129,578	2,289,779

* The Life non participating fund surplus amount is net of deferred tax. This amount is only distributable when the surplus is transferred from the life fund to the shareholders' fund.

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

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows
For the year ended 31 December 2014 - audited**

	Year ended 31 December 2014 RM'000	Year ended 31 December 2013 RM'000
Cash flows from operating activities		
Profit before taxation	423,530	339,231
Investment income	(375,393)	(319,134)
Realised gains recorded in profit or loss	(23,236)	(64,004)
Fair value (gains)/losses on investments recorded in profit or loss	(6,248)	68,998
Purchases of financial investments	(2,346,237)	(2,476,430)
Maturity of financial investments	494,911	408,028
Proceeds from sale of financial investments	588,808	920,023
Change in loans and receivables	(3,873)	(13,231)
Non-cash items:		
Change in fair value of investment properties	-	(638)
Change in fair value of AFS financial assets	29,020	(34,709)
Unrealised foreign exchange losses	566	2,552
Depreciation of property, plant and equipment	15,723	13,389
Amortisation of intangible assets	14,902	15,166
Gain on disposal of property, plant and equipment	(144)	-
Loss on disposal of investment property	67	-
Impairment loss on financial investments	22,120	4,497
Interest expense	7,463	4,310
Property, plant and equipment written off	3,637	16
Insurance and other receivables:		
- Allowance/(Reversal) for impairment loss	5,459	(1,311)
- Bad debts recovered	(204)	(194)
- Bad debts written off	937	1,055
Operating loss before changes in working capital	(1,148,192)	(1,132,386)
Changes in working capital:		
Change in reinsurance assets	(51,509)	(96,233)
Change in insurance receivables	(38,307)	(18,159)
Change in other receivables, deposits and prepayments	(65,440)	(1,427)
Change in insurance contract liabilities	1,051,779	1,207,118
Change in deferred acquisition costs	(8,545)	(9,566)
Change in other financial liabilities	2,127	(241)
Change in insurance payables	15,944	8,300
Change in other payables	(1,691)	(2,277)
Change in benefits and claims liabilities	49,844	33,045
Cash used in operations	(193,990)	(11,826)

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flows (continued)**

For the year ended 31 December 2014 - audited

	Year ended 31 December 2014 RM'000	Year ended 31 December 2013 RM'000
Cash flows from operating activities (continued)		
Tax paid	(104,164)	(98,043)
Dividend received	27,005	26,847
Coupon interest received	347,506	293,563
	<hr/>	<hr/>
Net cash from operating activities	76,357	210,541
Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	343	3
Proceeds from disposal of investment properties	2,233	-
Acquisition of property, plant and equipment	(17,452)	(19,460)
Acquisition of intangible assets	(1,509)	(51,164)
	<hr/>	<hr/>
Net cash used in investing activities	(16,385)	(70,621)
Cash flows from financing activities		
Dividends paid	(9,552)	(22,340)
Repayment of finance lease liabilities	(18)	(43)
Payment of loan interest to holding company	(2,318)	(1,155)
Proceeds from loan from holding company	-	54,300
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(11,888)	30,762
	<hr/>	<hr/>
Net increase in cash and cash equivalents	48,084	170,682
Cash and cash equivalents at the beginning of year	618,499	447,817
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Cash and cash equivalents at end of year	666,583	618,499
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	630,551	585,999
Cash and bank balances	36,032	32,500
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	666,583	618,499
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The accompanying notes form an integral part of these condensed consolidated interim financial statements.

Part A: Explanatory notes to the condensed consolidated financial statements

1. Basis of preparation

These condensed consolidated quarterly financial statements ("Report") of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the financial year ended 31 December 2014 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and with IAS 34: Interim Financial Reporting; and
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The Report does not include all of the information required for disclosure in the annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2014.

2. Statement of compliance

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

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

Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 cycle)*

Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Venture – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 12, *Disclosure of Interest in other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interest in Joint Operations*

MFRS 14, *Regulatory Deferral Accounts*

Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiatives*

Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*

Part A: Explanatory notes to the condensed consolidated financial statements (continued)

2. Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016 (continued)

Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*

Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*

Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

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

MFRS 15, *Revenue from Contracts with Customers*

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

MFRS 9, *Financial Instruments (2014)*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for amendments to MFRS 1, amendments to MFRS 2 and amendments to MFRS 119 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for, MFRS 14, amendments to MFRS 116 and MFRS 141 and amendments to MFRS 119 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition for non-insurance contracts might be different as compared with current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS15

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 Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

ALLIANZ MALAYSIA BERHAD (12428-W)

3. Items of an unusual nature

The results of the Group for the financial year 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 material changes in the basis used for accounting estimates for the financial year ended 31 December 2014.

5. Seasonal or cyclical factors

The operations of the Group for the financial year under review were not significantly affected by seasonality or cyclical factors.

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the year ended 31 December 2013.

7. Changes in group composition

There were no changes in the composition of the Group during the financial year under review.

8. Capital commitments

As at 31 December 2014

Property, plant and equipment:
Approved but not contracted for
Contracted but not provided for

Group
RM'000

70,434
11,716

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Twelve months ended 31 December	
	2014 RM'000	2013 RM'000
Related companies*		
Reinsurance premium and commission	(305,648)	(242,400)

* Related companies are companies within the Allianz SE Group.

10. Changes in contingent liabilities or contingent assets

The Group does not have contingent liabilities and contingent assets as at the date of the Report.

11. Debt and equity securities

Save for the issuance of 6,736,325 ordinary shares of RM1.00 each pursuant to the conversion of the ICPS, there were no other issuances of shares, shares buy-backs and repayment of debt and equity securities by the Group during the financial year under review.

12. Subsequent events

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

ALLIANZ MALAYSIA BERHAD (12428-W)

13. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

Reportable segments	Principal activities
Investment holding	Investment holding
General business	Underwriting of all classes of general insurance business
Life business	Underwriting of all life insurance and investment-linked business

Information about reportable segments For the year ended 31 December 2014 - audited

	Investment holding		General business		Life business		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	11,885	11,221	2,292,223	1,838,088	2,072,076	1,800,080	4,376,184	3,649,389
Inter-segment revenue	(24,926)	(46,832)	-	-	-	-	(24,926)	(46,832)
Segment (loss)/profit	(1,714)	(1,115)	319,378	258,250	105,866	82,096	423,530	339,231
Segment assets	384,197	415,093	5,286,994	4,819,320	6,495,535	5,524,349	12,166,726	10,758,762
Segment liabilities	84,404	65,711	3,676,475	3,467,586	6,116,068	5,201,283	9,876,947	8,734,580

14. Dividend paid

During the financial year ended 31 December 2014, the Company paid a first and final dividend of 2.50 sen per ordinary share under single tier system (2012: 6.50 sen less 25% tax) and a preference share dividend of 3.00 sen per ICPS under single tier system (2012: 7.80 sen) for the financial year 2013 on 6 August 2014 to the entitled ordinary shareholders and ICPS holders of the Company, whose names appeared on the Register of Members and/or Record of Depositors on 16 July 2014.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities**1. Review of results****1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD Fourth Quarter 2014 versus YTD Fourth Quarter 2013)****Operating revenue**

The Group recorded an operating revenue of RM4.38 billion for the financial year ended 31 December 2014, an increase of 19.9% or RM726.8 million as compared to the preceding financial year ended 31 December 2013 of RM3.65 billion due to higher gross earned premiums and investment income by RM670.5 million and RM56.3 million respectively.

The general insurance operations recorded an operating revenue of RM2.29 billion for the financial year ended 31 December 2014, an increase of 24.7% or RM454.2 million as compared to the preceding financial year ended 31 December 2013 of RM1.84 billion due to the increase in gross earned premiums and investment income by RM436.6 million and RM17.6 million respectively. The increase in gross earned premiums of the general insurance operations was driven by continued sales momentum from agency and franchise channels.

The life insurance operations recorded an operating revenue of RM2.07 billion for the financial year ended 31 December 2014, an increase of 15.0% or RM272.0 million as compared to the preceding financial year ended 31 December 2013 of RM1.80 billion due to the increase in gross earned premiums and investment income by RM234.0 million and RM38.0 million respectively.

The multi distribution strategy of the life business continued to yield successful results. The increase in gross earned premiums of the life insurance operations was derived from its agency channel and partnership distribution segment.

Profit before tax

The Group recorded a profit before tax of RM423.5 million for the financial year ended 31 December 2014, an increase of 24.9% or RM84.3 million as compared to the preceding financial year ended 31 December 2013 of RM339.2 million.

1.1 Results of the current YTD against preceding YTD (YTD Fourth Quarter 2014 versus YTD Fourth Quarter 2013) (continued)

Profit before tax (continued)

General insurance operations continue to contribute mostly to the profitability of the Group and delivered a profit before tax of RM319.4 million for the financial year ended 31 December 2014; an increase of 23.7% or RM61.1 million as compared to the preceding financial year ended 31 December 2013 of RM258.3 million. The increase in profit was due mainly to higher underwriting profit of RM202.6 million as compared to the preceding financial year ended 31 December 2013 of RM159.4 million. The combined ratio for the financial year under review improved by 1.2 percentage point to 87.0% mainly due to lower claims and expense ratios.

The life insurance operations recorded a higher profit before tax of RM105.9 million for the financial year ended 31 December 2014; an increase of 29.0% or RM23.8 million as compared to the preceding financial year ended 31 December 2013 of RM82.1 million due to better profit from the investment-linked protection business in the financial year under review.

The investment holding segment registered a loss before tax of RM1.8 million as compared to a loss before tax of RM1.2 million in the preceding year due mainly to higher cost incurred for the financial year under review.

1.2 Results of the current quarter against the preceding quarter (Fourth Quarter 2014 versus Third Quarter 2014)

Operating revenue

The Group recorded an operating revenue of RM1.23 billion for the quarter under review, an increase of 15.8% or RM166.8 million as compared to the preceding quarter ended 30 September 2014 of RM1.06 billion due mainly to increase in gross earned premiums by RM164.0 million in both insurance operations.

The general insurance operations recorded an operating revenue of RM666.2 million for the quarter under review, an increase of 20.1% or RM111.6 million as compared to the preceding quarter of RM554.6 million due mainly to higher gross earned premiums.

The life insurance operations registered an operating revenue of RM556.1 million for the quarter under review, an increase of 11.1% or RM55.6 million as compared to the preceding quarter of RM500.5 million due mainly to higher investment-linked sales from agency channel in the last quarter of the year.

Profit before tax

The Group recorded a profit before tax of RM100.0 million for the quarter under review, a decrease of 10.7% or RM12.0 million as compared to the preceding quarter ended 30 September 2014 of RM112.0 million due mainly to lower profit from life insurance operations.

The profit before tax of general insurance operations for the quarter under review of RM71.6 million was marginally lower by 1.0% or RM0.7 million as compared to the preceding quarter of RM72.3 million due mainly to lower underwriting profit which arising from higher commission expenses for the quarter under review. The general insurance operations continued to deliver a net combined ratio of below 90% for the quarter under review.

The profit before tax of life insurance operations for the quarter under review of RM31.8 million decreased by 18.5% or RM7.2 million as compared to the preceding quarter of RM39.0 million due mainly to change in assumption for insurance contract liabilities in the preceding quarter.

1.2 Results of the current quarter against the preceding quarter (Fourth Quarter 2014 versus Third Quarter 2014) (continued)**Profit before tax (continued)**

The investment holding segment registered a loss before tax of RM3.4 million as compared to RM0.7 million in the preceding quarter due mainly to levy cost for insurance guaranteed scheme charged to the shareholders' funds in the current quarter.

2. Prospect of 2015

The year 2015 will be challenging for the Malaysian economy with substantially lower crude oil prices and the weak Ringgit. The Malaysian government has recently lowered the estimated Gross Domestic Product growth for 2015 from 5.0% - 6.0% to 4.5% - 5.5%. The Group believes the operating environment will become increasingly difficult with dampened consumer sentiments from the weaker economic outlook and cost pressure from the implementation of Goods and Services tax in April 2015.

However, the Group believes its diversified distribution model and portfolio mix will equip it to face the challenges in the economic environment and position the Group against adversity. The general business will continue to focus on market segment with growth opportunities to maintain growth momentum. It will also continue to adopt a combination of strategies that focus on discipline in product pricing and underwriting, improving claim management process and developing service capability to maintain profitability and to give it a competitive edge ahead of the market liberalisation anticipated in 2016.

The life business will focus on building a multi-distribution network by enlarging its agency force and strengthen its partnership segment further to deliver growth. The life business will continue to offer comprehensive and affordable products on protection, savings and investment to meet customers' evolving needs.

The Group will also continue to embark on digital proposition with the aim to improve service efficiency and capability to remain competitive and maintain market leadership.

The Board is cautiously optimistic that the Group will continue to offer satisfactory returns to all stakeholders.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of the Report.

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	90,095	77,308	339,551	290,582
Dividend income	7,630	6,939	27,005	26,847
Accretion of discounts	1,108	1,013	4,327	3,800
Rental income	98	39	217	153
Other income	2,026	1,710	8,704	6,169
Amortisation of premiums	(824)	(1,557)	(4,411)	(8,417)
	<u>100,133</u>	<u>85,452</u>	<u>375,393</u>	<u>319,134</u>

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5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of investments in debt and equity securities:				
Malaysian government securities	-	1,162	202	5,699
Quoted equity securities of corporations in Malaysia	10,961	5,966	69,110	57,819
Quoted equity securities of corporations outside Malaysia	75	4	215	4
Quoted unit trusts in Malaysia	207	-	315	6,956
Unquoted unit trusts in Malaysia	15	-	245	-
Unquoted unit trusts outside Malaysia	50	73	86	73
Unquoted bonds of corporations in Malaysia	-	405	-	2,583
Structured deposits	1	-	-	-
Realised losses on disposal of investments in debt and equity securities:				
Malaysian government securities	(26)	(183)	(753)	(183)
Malaysian government guaranteed bonds	-	-	(13)	-
Quoted equity securities of corporations in Malaysia	(38,765)	(47)	(42,459)	(4,158)
Quoted equity securities of corporations outside Malaysia	(36)	(68)	(133)	(68)
Quoted unit trusts in Malaysia	(4)	-	(14)	-
Unquoted unit trusts outside Malaysia	(298)	(209)	(1,774)	(1,144)
Structured deposits	-	(1)	(11)	(3)
Put options	(785)	(1,824)	(1,780)	(3,574)
Realised gains on disposal of property, plant and equipment	150	-	144	-
Realised losses on disposal of investment property	-	-	(67)	-
	(28,455)	5,278	23,313	64,004

ALLIANZ MALAYSIA BERHAD (12428-W)**6. Fair value gains and losses**

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Investment properties	-	638	-	638
Fair value (losses)/gains:				
Held for trading financial assets	(39,214)	16,205	(28,241)	26,092
Designated upon initial recognition				
financial investments	(7,959)	(27,868)	5,926	(65,949)
Derivatives	4,744	(12,396)	28,563	(29,141)
Total fair value (losses)/gains on				
financial investments at Fair Value				
Through Profit or Loss	(42,429)	(24,059)	6,248	(68,998)
Impairment loss on financial investments	(14,554)	(3,726)	(22,120)	(4,497)
	(56,983)	(27,147)	(15,872)	(72,857)

7. Profit before taxation

Profit before taxation for the financial year under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	3,863	3,962	14,902	15,166
Depreciation of property, plant				
and equipment	5,058	4,146	15,723	13,389
Insurance and other receivables:				
- Allowance/(Reversal) of				
impairment loss	222	(958)	5,459	(1,311)
- Bad debts recovered	(1,795)	(261)	(204)	(194)
- Bad debts written off	-	-	937	1,055
Interest expense	1,844	408	7,463	4,310
Property, plant and equipment written off	3,563	6	3,637	16
Unrealised foreign exchange (gains)/losses	(117)	945	566	2,552

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial year ended 31 December 2014.

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8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	100,005	68,625	423,530	339,231
Tax expense				
Income tax	32,380	22,725	112,192	93,371
Deferred tax	(3,427)	(1,973)	15,436	7,939
Total tax expense	28,953	20,752	127,628	101,310
Effective tax rate	29%	30%	30%	30%

The Group's consolidated effective tax rate for the financial year under review is higher than the statutory tax rate of 25% (2013: 25%) due mainly to the following:

- In addition to the 25% income tax on the assessable income of the Shareholders' Fund, there is also an 8% income tax on the assessable investment income net of allowable deductions of the Life Fund; and
- Effects of certain non-deductible expenses.

9. Status of corporate proposal announced/implemented

As at the date of the Report, there are no corporate proposals announced but not completed.

10. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the financial year under review.

As at 31 December 2014

	Group RM'000
<u>Interest Bearing</u>	
Finance lease liability	3
Amount due to holding company	54,300

11. Changes in material litigations

There are no material litigations pending at the date of the Report.

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2014	2013	2014	2013
Profit attributable to ordinary shareholders	(RM'000)	71,052	47,873	295,902	237,921
Weighted average number of ordinary shares in issue	('000)	160,802	158,957	165,779	159,420
Basic earnings per ordinary share	(sen)	44.19	30.12	178.49	149.24

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2014	2013	2014	2013
Profit attributable to ordinary shareholders	(RM'000)	71,052	47,873	295,902	237,921
Weighted average number of ordinary shares in issue	('000)	160,802	158,957	165,779	159,420
Effect of conversion of ICPS, including bonus element	('000)	247,589	244,224	247,589	244,224
Diluted weighted average number of ordinary shares in issue	('000)	408,391	403,181	413,368	403,644
Diluted earnings per ordinary share	(sen)	17.40	11.87	71.58	58.94

13. Dividend

The Board declared an interim dividend of 5.00 sen per ordinary share under single tier system (2013: nil) and an interim preference share dividend of 6.00 sen per ICPS under single tier system (2013: nil) for the financial year 2014 which were paid on 30 January 2015 to the entitled ordinary shareholders and ICPS holders of the Company, whose names appeared on the Register of Members and/or Record of Depositors on 15 January 2015.

The Board does not recommend any payment of final dividend for the financial year 2014.

14. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 December 2014, into realised and unrealised profit or loss, is as follow:

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Total retained earnings of the Group:		
- Realised	1,615,674	1,331,246
- Unrealised	(107,542)	(90,377)
	<u>1,508,132</u>	<u>1,240,869</u>

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements of Bursa Securities and should not be applied for any other purposes.

The determination of realised and unrealised earnings is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities' Listing Requirements, issued by Malaysian Institute of Accountants on 20 December 2010.

15. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2013 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
27 February 2015