

**ALLIANZ MALAYSIA BERHAD (12428-W)**

UNAUDITED QUARTERLY RESULTS  
FOR THE PERIOD ENDED 30 JUNE 2015

**ALLIANZ MALAYSIA BERHAD (12428-W)**

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**Condensed consolidated statement of financial position  
as at 30 June 2015 - unaudited**

	<b>30 June 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	126,967	114,379
Intangible assets	306,148	311,935
Investment properties	3,300	3,300
Deferred tax assets	9,953	21,322
Reinsurance assets	1,209,397	1,318,213
Investments	10,058,521	9,208,241
Derivative financial assets	4,093	7,669
Current tax assets	349	728
Insurance receivables	257,547	201,597
Other receivables, deposits and prepayments	198,902	244,660
Deferred acquisitions costs	86,783	77,426
Cash and cash equivalents	605,720	666,583
<b>Total assets</b>	<b>12,867,680</b>	<b>12,176,053</b>

**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of financial position  
as at 30 June 2015 - unaudited (continued)**

	<b>30 June 2015 RM'000</b>	<b>31 December 2014 RM'000</b>
<b>Equity</b>		
Share capital	169,239	167,488
Irredeemable Convertible Preference Shares ("ICPS")	176,967	178,718
Reserves	2,107,833	1,943,573
<b>Total equity attributable to owners of the Company</b>	<b>2,454,039</b>	<b>2,289,779</b>
<b>Liabilities</b>		
Insurance contract liabilities	9,438,893	8,821,892
Deferred tax liabilities	154,673	142,777
Derivative financial liabilities	4,150	161
Other financial liabilities	11,138	11,081
Insurance payables	309,581	357,162
Other payables and accruals	313,282	374,315
Benefits and claims liabilities	177,411	167,702
Current tax liabilities	4,513	11,184
<b>Total liabilities</b>	<b>10,413,641</b>	<b>9,886,274</b>
<b>Total equity and liabilities</b>	<b>12,867,680</b>	<b>12,176,053</b>
<b>Net asset per ordinary share (RM)</b>	<b>14.50</b>	<b>13.67</b>
<b>Diluted net asset per ordinary share (RM)</b>	<b>7.09</b>	<b>6.61</b>

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 period ended 30 June 2015 - unaudited**

	Note (Part B)	Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,113,620	1,076,235	2,213,610	2,092,765
Gross earned premiums		1,005,954	984,342	2,007,577	1,914,790
Premiums ceded to reinsurers		(153,546)	(155,532)	(315,844)	(307,011)
<b>Net earned premiums</b>		<b>852,408</b>	<b>828,810</b>	<b>1,691,733</b>	<b>1,607,779</b>
Investment income	4	107,666	91,893	206,033	177,975
Realised gains and losses	5	7,603	13,313	26,830	41,910
Fair value gains and losses	6	(57,137)	16,233	277	21,645
Fee and commission income		18,473	21,734	38,645	43,572
Other operating income		4,521	7,589	7,226	11,854
<b>Other income</b>		<b>81,126</b>	<b>150,762</b>	<b>279,011</b>	<b>296,956</b>
Gross benefits and claims paid		(412,120)	(401,874)	(818,884)	(765,078)
Claims ceded to reinsurers		105,922	116,355	196,810	187,619
Gross change in contract liabilities		(141,565)	(252,567)	(538,297)	(605,175)
Change in contract liabilities ceded to reinsurers		(105,897)	(96,014)	(67,477)	(8,109)
<b>Net benefits and claims</b>		<b>(553,660)</b>	<b>(634,100)</b>	<b>(1,227,848)</b>	<b>(1,190,743)</b>
Fee and commission expense		(150,506)	(138,856)	(297,145)	(275,128)
Management expenses		(120,262)	(109,092)	(219,393)	(212,474)
Other operating expenses		(7,669)	(10,067)	(12,502)	(14,923)
<b>Other expenses</b>		<b>(278,437)</b>	<b>(258,015)</b>	<b>(529,040)</b>	<b>(502,525)</b>
<b>Profit before tax</b>	7	<b>101,437</b>	<b>87,457</b>	<b>213,856</b>	<b>211,467</b>
Tax expense	8	(30,979)	(27,242)	(69,757)	(65,035)
<b>Profit for the period</b>		<b>70,458</b>	<b>60,215</b>	<b>144,099</b>	<b>146,432</b>

\* 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 period ended 30 June 2015 - unaudited**

	Note	Individual period		Cumulative period	
		Three months ended		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
<b>Profit for the period attributable to owners of the Company</b>		70,458	60,215	144,099	146,432
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation reserve of of property, plant and equipment					
Tax effects from changes in tax rate		50	-	50	-
		<u>50</u>	<u>-</u>	<u>50</u>	<u>-</u>
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale ("AFS") financial assets		2,743	(124)	26,718	(979)
Tax effects thereon		(2,083)	34	(6,607)	252
		<u>660</u>	<u>(90)</u>	<u>20,111</u>	<u>(727)</u>
<b>Total other comprehensive income/(loss) for the period, net of tax</b>		<u>710</u>	<u>(90)</u>	<u>20,161</u>	<u>(727)</u>
<b>Total comprehensive income for the period, net of tax</b>		<u>71,168</u>	<u>60,125</u>	<u>164,260</u>	<u>145,705</u>
Profit attributable to:					
Owners of the Company		<u>70,458</u>	<u>60,215</u>	<u>144,099</u>	<u>146,432</u>
Total comprehensive income for the period attributable to:					
Owners of the Company		<u>71,168</u>	<u>60,125</u>	<u>164,260</u>	<u>145,705</u>
<b>Basic earnings per ordinary share (sen)</b>	12(a)	<u>41.98</u>	<u>37.07</u>	<u>85.69</u>	<u>89.12</u>
<b>Diluted earnings per ordinary share (sen)</b>	12(b)	<u>20.43</u>	<u>17.61</u>	<u>41.75</u>	<u>42.60</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 period ended 30 June 2015 - unaudited**

	←————— Attributable to owners of the Company —————→							Total equity
	←————— Non-distributable —————→				————— Distributable			
	Share capital	Preference shares	Share premium	Revaluation reserve	Fair value reserve	Life non- participating fund surplus*	Retained earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2014</b>	160,752	185,454	424,823	25,122	(12,838)	322,160	918,709	2,024,182
Fair value of AFS financial assets	-	-	-	-	(727)	-	-	(727)
Total other comprehensive loss for the period	-	-	-	-	(727)	-	-	(727)
Profit for the period	-	-	-	-	-	16,057	130,375	146,432
<b>Total comprehensive income for the period</b>	-	-	-	-	(727)	16,057	130,375	145,705
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	6,016	(6,016)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(9,552)	(9,552)
<b>Total transactions with owners of the Company</b>	6,016	(6,016)	-	-	-	-	(9,552)	(9,552)
<b>At 30 June 2014</b>	166,768	179,438	424,823	25,122	(13,565)	338,217	1,039,532	2,160,335

**ALLIANZ MALAYSIA BERHAD (12428-W)**
**Condensed consolidated statement of changes in equity for the period ended 30 June 2015 - unaudited (continued)**

	←————— Attributable to owners of the Company —————→							Total equity
	←————— Non-distributable —————→					Distributable		
	Share capital	Preference shares	Share premium	Revaluation reserve	Fair value reserve	Life non-participating fund surplus*	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2015</b>	167,488	178,718	424,823	25,111	(14,493)	378,554	1,129,578	2,289,779
Fair value of AFS financial assets	-	-	-	-	20,111	-	-	20,111
Revaluation of property, plant and equipment								
Tax effects from changes in tax rate	-	-	-	50	-	-	-	50
Total other comprehensive gain for the period	-	-	-	50	20,111	-	-	20,161
Profit for the period	-	-	-	-	-	31,214	112,885	144,099
<b>Total comprehensive income for the period</b>	-	-	-	50	20,111	31,214	112,885	164,260
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	1,751	(1,751)	-	-	-	-	-	-
<b>Total transactions with owners of the Company</b>	1,751	(1,751)	-	-	-	-	-	-
<b>At 30 June 2015</b>	169,239	176,967	424,823	25,161	5,618	409,768	1,242,463	2,454,039

\* 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 period ended 30 June 2015 - unaudited**

	Period ended 30 June 2015 RM'000	Period ended 30 June 2014 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	213,856	211,467
Investment income	(206,033)	(177,975)
Realised gains recorded in profit or loss	(26,782)	(41,910)
Fair value gains on financial investments recorded in profit or loss	(10,334)	(26,415)
Purchases of financial investments	(1,500,934)	(1,328,164)
Maturity of financial investments	329,999	290,000
Proceeds from sale of financial investments	456,892	295,549
Change in loans and receivables	(74,516)	(52,858)
<b>Non-cash items:</b>		
Change in fair value of AFS financial assets	173	1,135
Unrealised foreign exchange gains	-	(818)
Depreciation of property, plant and equipment	7,581	6,958
Amortisation of intangible assets	7,343	7,324
Gain on disposal of property, plant and equipment	(48)	-
Impairment loss on AFS financial investments	10,057	4,770
Interest expense	3,678	4,168
Property, plant and equipment written off	14	36
Insurance and other receivables:		
- Allowance for impairment loss	4,240	1,375
- Bad debts recovered	(75)	(141)
- Bad debts written off	3,435	90
<b>Changes in working capital:</b>		
Change in reinsurance assets	108,816	(1,153)
Change in insurance receivables	(63,681)	(53,309)
Change in other receivables, deposits and prepayments	47,002	(20,752)
Change in insurance contract liabilities	617,001	692,782
Change in deferred acquisition costs	(9,357)	(9,105)
Change in other financial liabilities	57	708
Change in insurance payables	(47,581)	(6,775)
Change in other payables and accruals	(44,438)	(40,922)
Change in benefits and claims liabilities	9,709	23,151
<b>Cash used in operations</b>	<b>(163,926)</b>	<b>(220,784)</b>



Condensed consolidated statement of cash flows (continued)  
For the period ended 30 June 2015 - unaudited

	Period ended 30 June 2015 RM'000	Period ended 30 June 2014 RM'000
<b>Cash flows from operating activities (continued)</b>		
Tax paid	(59,324)	(40,250)
Dividend received	14,405	12,388
Coupon interest received	189,946	166,024
	<hr/>	<hr/>
<b>Net cash used in operating activities</b>	<b>(18,899)</b>	<b>(82,622)</b>
	<hr/>	<hr/>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	50	32
Acquisition of property, plant and equipment	(20,185)	(6,351)
Acquisition of intangible assets	(1,556)	(240)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(21,691)</b>	<b>(6,559)</b>
	<hr/>	<hr/>
<b>Financing activities</b>		
Dividends paid to owners of the Company	(19,097)	-
Repayment of finance lease liabilities	(3)	(14)
Interest paid	(1,173)	(1,167)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(20,273)</b>	<b>(1,181)</b>
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	<b>(60,863)</b>	<b>(90,362)</b>
Cash and cash equivalents at 1 January	666,583	618,499
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<b>Cash and cash equivalents at 30 June</b>	<b>605,720</b>	<b>528,137</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	577,574	498,123
Cash and bank balances	28,146	30,014
	<hr/>	<hr/>
	<b>605,720</b>	<b>528,137</b>
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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 ("the Report") of Allianz Malaysia Berhad ("AMB" or "the Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the financial period ended 30 June 2015 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 financial year ended 31 December 2014.

**2. Statement of compliance**

The accounting policies and presentation adopted by the Group for the Report are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following:

<b>MFRSs/ Amendments/Interpretation</b>	<b>Effective date</b>
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 8, <i>Operating Segments (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 13, <i>Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)</i>	1 July 2014
Amendments to MFRS 116, <i>Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 124, <i>Related Party Disclosures (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 138, <i>Intangible Assets (Annual Improvements 2010-2012 Cycle)</i>	1 July 2014
Amendments to MFRS 140, <i>Investment Property (Annual Improvements 2011-2013 Cycle)</i>	1 July 2014

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 upon their first adoption.

**3. Items of an unusual nature**

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

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

**4. Changes in estimates**

There were no material changes in the basis used for accounting estimates for the financial period ended 30 June 2015.

**5. Seasonal or cyclical factors**

The operations of the Group for the financial period 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 financial year ended 31 December 2014.

**7. Changes in group composition**

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

**8. Capital commitments**

<b>As at 30 June 2015</b>	<b>RM'000</b>
Property, plant and equipment:	
Approved but not contracted for	41,647
Contracted but not provided for	9,923
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**9. Related party transactions**

Significant related party transactions are as follows:

	Transactions value	
	Six months ended	
	30 June	
	2015	2014
	RM'000	RM'000
<b>Related companies*</b>		
Reinsurance premium and commission	(162,208)	(166,226)
	<hr/>	<hr/>

\* 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 1,750,864 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 period under review.

**12. Subsequent events**

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

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

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 insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all life insurance business

Information about reportable segments

For the period ended 30 June 2015 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Segment revenue	5,863	5,935	1,142,091	1,071,336	1,065,656	1,015,494	2,213,610	2,092,765
Inter-segment revenue	(1,212)	(2,663)	-	-	-	-	(1,212)	(2,663)
Segment results	(1,071)	918	160,961	175,485	53,966	35,064	213,856	211,467
Segment assets	368,950	415,718	5,491,672	5,058,589	7,007,058	6,103,343	12,867,680	11,577,650
Segment liabilities	70,106	74,422	3,747,146	3,578,711	6,596,389	5,764,182	10,413,641	9,417,315

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

**14. Dividend paid**

No dividend was paid by the Company during the period under review (2014: Nil).

The interim dividend of 5.00 sen per ordinary share under single tier system (2014: nil) and an interim preference share dividend of 6.00 sen per ICPS under single tier system (2014: nil) for the financial year 2014 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.

**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 Second Quarter 2015 versus YTD Second Quarter 2014)**

**Operating revenue**

The Group recorded an operating revenue of RM2.21 billion for the financial period ended 30 June 2015, an increase of 5.8% or RM120.8 million as compared to the preceding financial period ended 30 June 2014 of RM2.09 billion due to higher gross earned premiums and investment income by RM92.8 million and RM28.0 million respectively.

The general insurance operation recorded an operating revenue of RM1.14 billion for the financial period ended 30 June 2015, an increase of 6.6% or RM70.7 million as compared to the preceding financial period ended 30 June 2014 of RM1.07 billion due to the increase in gross earned premiums and investment income by RM62.7 million and RM8.0 million respectively. The increase in gross earned premiums of the general insurance operation was attributable to higher premiums from all distribution channels.

The life insurance operation recorded an operating revenue of RM1.07 billion for the financial period ended 30 June 2015, an increase of 4.9% or RM50.2 million as compared to the preceding financial period ended 30 June 2014 of RM1.02 billion due to the increase in gross earned premiums and investment income by RM30.1 million and RM20.1 million respectively. The increase in gross earned premiums of the life insurance operation was mainly attributable to higher in-force premiums from agency channel.

**Profit before tax**

The Group recorded a profit before tax of RM213.9 million for the financial period ended 30 June 2015, an increase of 1.1% or RM2.4 million as compared to the preceding financial period ended 30 June 2014 of RM211.5 million.

General insurance operation delivered a profit before tax of RM161.0 million for the financial period ended 30 June 2015, a decrease of 8.3% or RM14.5 million as compared to the preceding financial period ended 30 June 2014 of RM175.5 million. The decrease in profit was due mainly to lower underwriting profit of RM97.0 million as compared to the preceding financial period ended 30 June 2014 of RM118.7 million.

The underwriting profit for the preceding financial period ended 30 June 2014 was better than expected as the claims ratio was low at 57.8%. During the financial period under review, claims ratio closed at 60.2% and net combined ratio remained healthy at 88.4%.

**Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**

**1. Review of results (continued)**

**1.1 Results of the current year-to-date (YTD) against preceding YTD (YTD Second Quarter 2015 versus YTD Second Quarter 2014) (continued)**

**Profit before tax (continued)**

The life insurance operation delivered a profit before tax of RM54.0 million for the financial period ended 30 June 2015, an increase of 53.8% or RM18.9 million as compared to the preceding financial period ended 30 June 2014 of RM35.1 million due to fair value gains from lower interest in the insurance funds.

The investment holding segment registered a loss before tax of RM1.1 million for the financial period ended 30 June 2015 as compared to a profit before tax of RM0.9 million for the preceding financial period ended 30 June 2014 due to levy cost for insurance guaranteed scheme charged to the shareholders' funds for the financial period under review.

**1.2 Results of the current quarter against the preceding quarter (Second Quarter 2015 versus First Quarter 2015)**

**Operating revenue**

The Group recorded an operating revenue of RM1.11 billion for the quarter under review, an increase of 1.2% or RM13.6 million as compared to the preceding quarter ended 31 March 2015 of RM1.10 billion due mainly to increase in gross earned premiums by RM4.4 million and higher investment income by RM9.2 million.

The general insurance operation recorded an operating revenue of RM573.7 million for the quarter under review, an increase of 0.9% or RM5.3 million as compared to the preceding quarter ended 31 March 2015 of RM568.4 million due mainly to higher gross earned premiums.

The life insurance operation registered an operating revenue of RM536.9 million for the quarter under review, an increase of 1.5% or RM8.1 million as compared to the preceding quarter ended 31 March 2015 of RM528.8 million due mainly to higher investment income by RM7.6 million in the second quarter of the year.

**Profit before tax**

The Group recorded a profit before tax of RM101.5 million for the quarter under review, a decrease of 9.7% or RM10.9 million as compared to the preceding quarter ended 31 March 2015 of RM112.4 million due mainly to lower contribution from both insurance operations.

The profit before tax of general insurance operation for the quarter under review of RM76.9 million was lower by 8.6% or RM7.2 million as compared to the preceding quarter ended 31 March 2015 of RM84.1 million due mainly to higher management expenses incurred for the quarter under review.

**Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**

**1. Review of results (continued)**

**1.2 Results of the current quarter against the preceding quarter (Second Quarter 2015 versus First Quarter 2015) (continued)**

**Profit before tax (continued)**

The profit before tax of life insurance operation for the quarter under review of RM23.6 million was lower by 22.4% or RM6.8 million as compared to the preceding quarter ended 31 March 2015 of RM30.4 million due to lower fair value gains for the financial quarter under review.

The investment holding segment registered a higher profit before tax of RM1.0 million as compared to a loss before tax of the preceding quarter ended 31 March 2015 of RM2.1 million due mainly to lower management expenses in the quarter under review.

**2. Current year prospect**

The business and investment outlook is expected to be difficult for the remaining year with uncertainties in the external environment and sharp decline in Ringgit. Domestic consumption and investment, which are key drivers for growth, are expected to be more subdued. Adverse price pressure from the weakening Ringgit is also making consumers more cautious on spending. Under the circumstances, the insurance industry growth is expected to remain flat for 2015.

While the Group continues to deliver on its strategies for the period under review, it will remain prudent in executing its expansion strategies and diversifying its distribution channels. The general insurance business will maintain pricing and underwriting discipline despite strong competitive pressure. It will also focus on operational initiatives to drive customer centricity as well as efficiency to allow more financial flexibility in risk selection.

The life insurance business will continue to focus on expanding its distribution channels by acquiring new agents to accelerate sales and penetrate into wider market segments. It will also continue to launch new and enhanced products to drive sales.

The Board is cautious on the Group prospects for the remaining year.

**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		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	94,887	82,461	186,514	161,356
Dividend income	10,232	7,383	14,405	12,388
Accretion of discounts	1,330	1,073	2,651	2,134
Amortisation of premiums	(1,014)	(1,088)	(2,082)	(2,631)
Rental income	254	39	542	77
Other income	1,977	2,025	4,003	4,651
	<u>107,666</u>	<u>91,893</u>	<u>206,033</u>	<u>177,975</u>

**Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**
**5. Realised gains and losses**

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Property, plant and equipment</b>				
Realised gains on disposal	-	-	50	-
Realised losses on disposal	(2)	-	(2)	-
<b>Total realised (losses)/gains for property, plant and equipment</b>	<b>(2)</b>	<b>-</b>	<b>48</b>	<b>-</b>
<b>Financial assets</b>				
Realised gains on disposal:				
Malaysian government securities	3,360	20	4,709	212
Quoted equity securities of corporations in Malaysia	5,536	14,974	33,272	46,702
Quoted equity securities of corporations outside Malaysia	29	59	60	83
Quoted unit trusts in Malaysia	972	65	2,602	65
Unquoted unit trusts in Malaysia	-	11	-	60
Unquoted unit trusts outside Malaysia	95	18	157	18
Realised losses on disposal:				
Malaysian government securities	-	(22)	(359)	(22)
Quoted equity securities of corporations in Malaysia	(1,159)	(562)	(12,232)	(3,129)
Quoted equity securities of corporations outside Malaysia	(30)	(15)	(56)	(65)
Quoted unit trusts in Malaysia	-	-	-	(10)
Unquoted unit trusts outside Malaysia	(308)	(232)	(481)	(986)
Unquoted debts securities in Malaysia	-	-	-	(13)
Structured deposits	-	(8)	-	(10)
Put options	(890)	(995)	(890)	(995)
<b>Total realised gains for financial assets</b>	<b>7,605</b>	<b>13,313</b>	<b>26,782</b>	<b>41,910</b>
<b>Total realised gains</b>	<b>7,603</b>	<b>13,313</b>	<b>26,830</b>	<b>41,910</b>



**Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**
**6. Fair value gains and losses**

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Held for trading financial assets	(24,354)	8,470	(496)	13,771
Designated upon initial recognition financial assets	(11,002)	3,574	18,164	(2,464)
Derivatives	(11,724)	8,356	(7,334)	15,108
<b>Total fair value (losses)/gains on financial assets at Fair Value Through Profit or Loss</b>	<b>(47,080)</b>	<b>20,400</b>	<b>10,334</b>	<b>26,415</b>
Impairment loss on AFS financial assets	(10,057)	(4,167)	(10,057)	(4,770)
<b>Total fair value (losses)/gains</b>	<b>(57,137)</b>	<b>16,233</b>	<b>277</b>	<b>21,645</b>

**7. Profit before tax**

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

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	3,702	3,669	7,343	7,324
Depreciation of property, plant and equipment	3,956	3,586	7,581	6,958
Insurance and other receivables:				
- Allowance of impairment loss	6,825	1,366	4,240	1,375
- Bad debts recovered	(31)	(22)	(75)	(141)
- Bad debts written off	3,426	90	3,435	90
Interest expense	2,906	3,447	3,678	4,168
Property, plant and equipment written off	10	29	14	36
Unrealised foreign exchange gains	-	(96)	-	(818)

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 June 2015.

Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)

8. Tax expense

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax	101,437	87,457	213,856	211,467
<b>Tax expense</b>				
Income tax	23,451	28,763	53,032	53,113
Deferred tax	7,528	(1,521)	16,725	11,922
Total tax expense	30,979	27,242	69,757	65,035
Effective tax rate	31%	31%	33%	31%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 25% (2014: 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 period under review.

As at 30 June 2015

RM'000

Interest Bearing

Amount due to holding company

54,300

11. Changes in material litigations

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

**Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**
**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		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
Profit attributable to ordinary shareholders	(RM'000)	70,458	60,215	144,099	146,432
Weighted average number of ordinary shares in issue	('000)	167,835	162,455	168,159	164,312
Basic earnings per ordinary share	(sen)	41.98	37.07	85.69	89.12

**(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		Six months ended	
		30 June		30 June	
		2015	2014	2015	2014
Profit attributable to ordinary shareholders	(RM'000)	70,458	60,215	144,099	146,432
Weighted average number of ordinary shares in issue	('000)	167,835	162,455	168,159	164,312
Effect of conversion of ICPS *	('000)	176,967	179,438	176,967	179,438
Diluted weighted average number of ordinary shares in issue *	('000)	344,802	341,893	345,126	343,750
Diluted earnings per ordinary share *	(sen)	20.43	17.61	41.75	42.60

\* Comparatives figure have been restated to exclude bonus element.

**Part B: Explanatory notes pursuant to the Main Market Listing Requirements of Bursa Securities (continued)**

**13. Dividend**

No dividend has been proposed or declared for the second quarter of 2015 (2014: Nil).

**14. Disclosure of realised and unrealised earnings**

The breakdown of the retained earnings of the Group as at 30 June 2015, into realised and unrealised profit or loss, is as follow:

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Total retained earnings of the Group:		
- Realised	1,775,350	1,615,674
- Unrealised	(123,119)	(107,542)
	<u>1,652,231</u>	<u>1,508,132</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 2014 was not qualified.

**BY ORDER OF THE BOARD**

Ng Siew Gek  
**Company Secretary**

Kuala Lumpur  
26 August 2015