

ALLIANZ MALAYSIA BERHAD (12428-W)

AUDITED RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2015

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
as at 31 December 2015 - audited**

	31 December 2015 RM'000	31 December 2014 RM'000
Assets		
Property, plant and equipment	96,750	114,379
Intangible assets	301,246	311,935
Investment properties	50,026	3,300
Deferred tax assets	19,051	21,322
Reinsurance assets	1,129,305	1,318,213
Investments	10,822,550	9,208,241
Derivative financial assets	5,724	7,669
Current tax assets	195	728
Insurance receivables	259,428	201,597
Other receivables, deposits and prepayments	229,302	244,660
Deferred acquisitions costs	82,199	77,426
Cash and cash equivalents	621,648	666,583
Total assets	13,617,424	12,176,053

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position
as at 31 December 2015 - audited (continued)**

	31 December 2015 RM'000	31 December 2014 RM'000
Equity		
Share capital	169,309	167,488
Irredeemable Convertible Preference Shares ("ICPS")	176,897	178,718
Reserves	2,275,114	1,943,573
Total equity attributable to owners of the Company	2,621,320	2,289,779
Liabilities		
Insurance contract liabilities	9,888,621	8,821,892
Deferred tax liabilities	158,135	142,777
Derivative financial liabilities	3,454	161
Other financial liabilities	959	11,081
Insurance payables	393,168	357,162
Other payables and accruals	345,068	374,315
Benefits and claims liabilities	194,563	167,702
Current tax liabilities	12,136	11,184
Total liabilities	10,996,104	9,886,274
Total equity and liabilities	13,617,424	12,176,053
Net asset per ordinary share (RM)	15.48	13.67
Diluted net asset per ordinary share (RM)	7.57	6.61

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
For the year ended 31 December 2015**

	Note (Part B)	← Audited →			
		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,170,453	1,225,085	4,519,497	4,376,184
Gross earned premiums		1,054,383	1,124,952	4,088,113	4,000,791
Premiums ceded to reinsurers		(133,746)	(282,419)	(583,786)	(746,458)
Net earned premiums		920,637	842,533	3,504,327	3,254,333
Investment income	4	116,070	100,133	431,384	375,393
Realised gains and losses	5	5,486	(28,455)	48,317	23,313
Fair value gains and losses	6	76,017	(56,983)	(55,644)	(15,872)
Fee and commission income		17,031	27,590	69,911	98,785
Other operating income		4,137	5,813	16,777	22,830
Other income		218,741	48,098	510,745	504,449
Gross benefits and claims paid		(461,045)	(364,745)	(1,684,894)	(1,600,463)
Claims ceded to reinsurers		119,707	(37,974)	403,612	263,626
Gross change in contract liabilities		(338,664)	(251,557)	(1,040,310)	(1,113,527)
Change in contract liabilities ceded to reinsurers		(29,765)	134,932	(148,141)	160,390
Net benefits and claims		(709,767)	(519,344)	(2,469,733)	(2,289,974)
Fee and commission expense		(162,164)	(154,162)	(612,999)	(574,894)
Management expenses		(130,957)	(104,753)	(464,761)	(436,026)
Other operating expenses		(9,490)	(12,367)	(29,358)	(34,358)
Other expenses		(302,611)	(271,282)	(1,107,118)	(1,045,278)
Profit before tax	7	127,000	100,005	438,221	423,530
Tax expense	8	(40,736)	(28,953)	(129,350)	(127,628)
Profit for the year		86,264	71,052	308,871	295,902

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

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss and other comprehensive income
For the year ended 31 December 2015**

	Note (Part B)	← Audited →			
		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
Profit for the year attributable to owners of the Company		86,264	71,052	308,871	295,902
Other comprehensive income/(loss), net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		1,861	-	11,050	-
Tax effects thereon		53	-	(2,103)	-
		<u>1,914</u>	<u>-</u>	<u>8,947</u>	<u>-</u>
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets		22,152	(12,135)	18,313	(2,209)
Tax effects thereon		(5,313)	3,030	(4,590)	554
		<u>16,839</u>	<u>(9,105)</u>	<u>13,723</u>	<u>(1,655)</u>
Total other comprehensive income/(loss) for the year, net of tax		<u>18,753</u>	<u>(9,105)</u>	<u>22,670</u>	<u>(1,655)</u>
Total comprehensive income for the year, net of tax		<u>105,017</u>	<u>61,947</u>	<u>331,541</u>	<u>294,247</u>
Profit attributable to:					
Owners of the Company		<u>86,264</u>	<u>71,052</u>	<u>308,871</u>	<u>295,902</u>
Total comprehensive income for the year attributable to:					
Owners of the Company		<u>105,017</u>	<u>61,947</u>	<u>331,541</u>	<u>294,247</u>
Basic earnings per ordinary share (sen)	12(a)	<u>51.50</u>	<u>44.19</u>	<u>183.08</u>	<u>178.49</u>
Diluted earnings per ordinary share (sen)	12(b)	<u>25.05</u>	<u>20.93</u>	<u>89.37</u>	<u>85.89</u>

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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the year ended 31 December 2015 - audited

	←————— 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	
At 1 January 2014	160,752	185,454	424,823	25,122	(12,838)	322,160	918,709	2,024,182
Revaluation of property, plant and equipment	-	-	-	(11)	-	-	11	-
Fair value of AFS financial assets	-	-	-	-	(1,655)	-	-	(1,655)
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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the year ended 31 December 2015 - audited (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	
At 1 January 2015	167,488	178,718	424,823	25,111	(14,493)	378,554	1,129,578	2,289,779
Revaluation of property, plant and equipment	-	-	-	8,947	-	-	-	8,947
Fair value of AFS financial assets	-	-	-	-	13,723	-	-	13,723
Total other comprehensive income for the year	-	-	-	8,947	13,723	-	-	22,670
Profit for the year	-	-	-	-	-	70,550	238,321	308,871
Total comprehensive income for the year	-	-	-	8,947	13,723	70,550	238,321	331,541
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	1,821	(1,821)	-	-	-	-	-	-
Total transactions with owners of the Company	1,821	(1,821)	-	-	-	-	-	-
At 31 December 2015	169,309	176,897	424,823	34,058	(770)	449,104	1,367,899	2,621,320

* 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 financial statements.

Condensed consolidated statement of cash flows
For the year ended 31 December 2015 - audited

	Year ended 31 December 2015 RM'000	Year ended 31 December 2014 RM'000
Cash flows from operating activities		
Profit before tax	438,221	423,530
Investment income	(431,384)	(375,393)
Interest expense	5,393	7,463
Realised gains recorded in profit or loss	(48,262)	(23,236)
Fair value gains on financial investments recorded in profit or loss	(296)	(6,248)
Purchases of financial investments	(3,040,315)	(2,346,237)
Maturity of financial investments	659,960	494,911
Proceeds from sale of financial investments	974,988	588,808
Change in loans and receivables	(215,884)	(3,873)
Non-cash items:		
Change in fair value of investment properties	(540)	-
Change in fair value of AFS financial assets	22,316	29,020
Unrealised foreign exchange losses	-	566
Depreciation of property, plant and equipment	17,014	15,723
Amortisation of intangible assets	15,294	14,902
Gain on disposal of property, plant and equipment	(55)	(144)
Loss on disposal of investment properties	-	67
Impairment loss on AFS financial investments	56,480	22,120
Property, plant and equipment written off	501	3,637
Insurance and other receivables:		
- (Reversal of)/Allowance for impairment loss	(6,904)	5,459
- Bad debts recovered	(144)	(204)
- Bad debts written off	6,885	937
Changes in working capital:		
Change in reinsurance assets	188,908	(51,509)
Change in insurance receivables	(60,063)	(40,942)
Change in other receivables, deposits and prepayments	22,954	(70,476)
Change in insurance contract liabilities	1,062,530	1,051,779
Change in deferred acquisition costs	(4,773)	(8,545)
Change in other financial liabilities	(10,122)	7,162
Change in insurance payables	36,006	18,580
Change in other payables and accruals	(13,199)	(1,691)
Change in benefits and claims liabilities	26,861	49,844
Cash used in operations	(297,630)	(193,990)

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of cash flows
For the year ended 31 December 2015 - audited (continued)

	Year ended 31 December 2015 RM'000	Year ended 31 December 2014 RM'000
Cash flows from operating activities (continued)		
Tax paid	(115,322)	(104,164)
Dividends received	30,857	27,005
Interest income received	393,641	347,506
Net cash from operating activities	11,546	76,357
Investing activities		
Proceeds from disposal of property, plant and equipment	56	343
Proceeds from disposal of investment properties	-	2,233
Acquisition of property, plant and equipment	(30,491)	(17,452)
Acquisition of intangible assets	(4,605)	(1,509)
Net cash used in investing activities	(35,040)	(16,385)
Financing activities		
Dividends paid to owners of the Company	(19,098)	(9,552)
Repayment of finance lease liabilities	(3)	(18)
Interest paid	(2,340)	(2,318)
Net cash used in financing activities	(21,441)	(11,888)
Net (decrease)/increase in cash and cash equivalents	(44,935)	48,084
Cash and cash equivalents at 1 January	666,583	618,499
Cash and cash equivalents at 31 December	621,648	666,583
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	598,080	630,551
Cash and bank balances	23,568	36,032
	621,648	666,583

The accompanying notes form an integral part of these condensed consolidated 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 year ended 31 December 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 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 2015.

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/ Amendments/ Interpretation	Effective date
MFRS 14, <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 5, <i>Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016
Amendments to MFRS 7, <i>Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> , MFRS 12, <i>Disclosure of Interests in Other Entities</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11, <i>Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101, <i>Presentation of Financial Statements – Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 138, <i>Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116, <i>Property, Plant and Equipment</i> and MFRS 141, <i>Agriculture – Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 119, <i>Employee Benefits (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016
Amendments to MFRS 127, <i>Separate Financial Statements – Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRS 134, <i>Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)</i>	1 January 2016
MFRS 9, <i>Financial Instruments (2014)</i>	1 January 2018
MFRS 15, <i>Revenue from Contracts with Customers</i>	1 January 2018
Amendments to MFRS 10, <i>Consolidated Financial Statements</i> and MFRS 128, <i>Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Yet to be confirmed

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

2. Statement of compliance (continued)

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

- 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 Amendments to MFRS 5, Amendments to MFRS 11, 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 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 upon 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 to the 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.

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 2015.

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.

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

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. During the financial year under review, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	RM'000
General insurance operation	9,189
Life insurance operation	1,861
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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 2015	RM'000
Property, plant and equipment:	
Approved but not contracted for	34,146
Contracted but not provided for	5,484
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Intangible assets:	
Approved but not contracted for	20,301
Contracted but not provided for	1,373
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9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Twelve months ended	
	31 December	
	2015	2014
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(303,350)	(305,648)
	<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.

For the purpose of this paragraph, contingent liabilities and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

11. Debt and equity securities

Save for the issuance of 1,820,864 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 year 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 classes of life insurance and investment-linked business

Information about reportable segments

For the year ended 31 December 2015

	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	12,506	11,885	2,277,997	2,292,223	2,228,994	2,072,076	4,519,497	4,376,184
Inter-segment revenue	(21,694)	(24,926)	-	-	-	-	(21,694)	(24,926)
Segment results	(723)	(1,714)	322,327	319,378	116,617	105,866	438,221	423,530
Segment assets	375,016	384,197	5,707,128	5,286,994	7,535,280	6,504,862	13,617,424	12,176,053
Segment liabilities	67,245	84,404	3,845,326	3,676,475	7,083,533	6,125,395	10,996,104	9,886,274

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

14. Dividend paid

During the financial year ended 31 December 2015, an 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 Fourth Quarter 2015 versus YTD Fourth Quarter 2014)

Operating revenue

The Group recorded an operating revenue of RM4.52 billion for the financial year ended 31 December 2015, an increase of 3.3% or RM143.3 million as compared to the preceding financial year ended 31 December 2014 of RM4.38 billion due to higher gross earned premiums and investment income by RM87.3 million and RM56.0 million respectively.

The general insurance operation recorded an operating revenue of RM2.28 billion for the financial year ended 31 December 2015, a decrease of 0.6% or RM14.2 million as compared to the preceding financial year ended 31 December 2014 of RM2.29 billion due to the decrease in gross earned premiums by RM31.0 million. The lower gross earned premiums of the general insurance operation was mainly due to the lower contribution from franchise channel.

The life insurance operation recorded an operating revenue of RM2.23 billion for the financial year ended 31 December 2015, an increase of 7.6% or RM156.9 million as compared to the preceding financial year ended 31 December 2014 of RM2.07 billion due to the increase in gross earned premiums and investment income by RM118.3 million and RM38.6 million respectively.

The increase in gross earned premiums of the life insurance operation was mainly contributed by agency channel which delivered a growth of 8.8% driven by strong investment-linked sales from new and enhanced product launches. The gross earned premium was higher even though lower premium from the corporate channel due to non-renewal of unprofitable employee benefits business.

Profit before tax

The Group recorded a profit before tax of RM438.2 million for the financial year ended 31 December 2015, an increase of 3.5% or RM14.7 million as compared to the preceding financial year ended 31 December 2014 of RM423.5 million.

General insurance operation delivered a profit before tax of RM322.3 million for the financial year ended 31 December 2015, an increase of 0.9% or RM2.9 million as compared to the preceding financial year ended 31 December 2014 of RM319.4 million. The increase in profit was due mainly to higher investment income of RM16.8 million despite lower underwriting profit of the preceding financial year ended 31 December 2014.

During the financial year under review, claims ratio closed higher at 60.7% as compared to the preceding financial year ended 31 December 2014 of 59.3% but the net combined ratio stayed below 90.0%.

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 Fourth Quarter 2015 versus YTD Fourth Quarter 2014) (continued)

Profit before tax (continued)

The life insurance operation delivered a profit before tax of RM116.6 million for the financial year ended 31 December 2015, an increase of 10.1% or RM10.7 million as compared to the preceding financial year ended 31 December 2014 of RM105.9 million due to higher profit from protection business in the financial year under review.

The investment holding segment registered a loss before tax of RM0.7 million for the financial year ended 31 December 2015 as compared to a loss before tax of RM1.8 million for the preceding financial year ended 31 December 2014 due to higher investment income for the financial year under review.

1.2 Results of the current quarter against the preceding quarter (Fourth Quarter 2015 versus Third Quarter 2015)

Operating revenue

The Group recorded an operating revenue of RM1.17 billion for the quarter under review, an increase of 3.1% or RM35.1 million as compared to the preceding quarter ended 30 September 2015 of RM1.14 billion due mainly to increase in gross earned premiums by RM28.3 million and higher investment income by RM6.8 million.

The general insurance operation recorded an operating revenue of RM562.5 million for the quarter under review, a decrease of 1.9% or RM10.8 million as compared to the preceding quarter ended 30 September 2015 of RM573.3 million due mainly to lower gross earned premium.

The life insurance operation registered an operating revenue of RM604.5 million for the quarter under review, an increase of 8.2% or RM45.6 million as compared to the preceding quarter ended 30 September 2015 of RM558.9 million due mainly to higher gross earned premium by RM40.5 million in the fourth quarter of the year. This is mainly due to agency channel which recorded a growth of 15.8% during the quarter under review.

Profit before tax

The Group recorded a profit before tax of RM127.0 million for the quarter under review, an increase of 30.5% or RM29.7 million as compared to the preceding quarter ended 30 September 2015 of RM97.3 million due mainly to higher contribution from both insurance operations.

The profit before tax of general insurance operation for the quarter under review of RM86.7 million was higher by 16.1% or RM12.0 million as compared to the preceding quarter ended 30 September 2015 of RM74.7 million. In the preceding quarter, claims were higher due to one off recognition of disallowance of GST input tax credit for certain motor claims since the implementation of GST on 1 April 2015.

The profit before tax of life insurance operation for the quarter under review of RM40.2 million was higher by 80.3% or RM17.9 million as compared to the preceding quarter ended 30 September 2015 of RM22.3 million due to higher contribution from investment-linked business.

The profit before tax of the investment holding segment is lower than the profit before tax of the preceding quarter ended 30 September 2015 of RM0.3 million due mainly to higher operating expenses in the quarter under review.

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

2. Prospect of 2016

The Malaysian economic outlook remains challenging in 2016 given the continued volatility in the financial and currency markets as well as weaknesses in prices of oil and gas and other key commodities. Gross Domestic Product growth for 2016 is projected to be 4.0% - 4.5% from 4.5% - 5.0% in 2015.

Growth in general insurance industry which is usually in tandem with Gross Domestic Product growth is expected to be moderate due to the challenging business environment and cautious consumer spending. The impact from the implementation of Goods and Services Tax last year will continue to be felt in 2016 and will contribute to higher claims cost.

For life insurance business, medical and health business will continue to drive growth as consumers become more aware of the needs for medical protection. Life business would also need to manage the impact of rising medical inflation on claims cost.

The Board is confident that the Group will perform satisfactorily in 2016 despite the difficult economic environment.

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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	103,987	90,095	389,652	339,551
Dividend income	9,228	7,630	30,857	27,005
Accretion of discounts	1,544	1,108	5,689	4,327
Amortisation of premiums	(946)	(824)	(4,004)	(4,411)
Rental income	118	98	913	217
Other income	2,139	2,026	8,277	8,704
	<u>116,070</u>	<u>100,133</u>	<u>431,384</u>	<u>375,393</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		Twelve months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	7	150	55	144
Investment property				
Realised loss on disposal	-	-	-	(67)
Financial assets				
Realised gains on disposal:				
Malaysian government securities	650	-	5,985	202
Quoted equity securities of corporations in Malaysia	19,634	10,961	69,383	69,110
Quoted equity securities of corporations outside Malaysia	46	75	171	215
Quoted unit trusts in Malaysia	3,117	207	6,494	315
Unquoted unit trusts in Malaysia	-	15	-	245
Unquoted unit trusts outside Malaysia	95	50	5,314	86
Structured deposits	-	1	-	-
Realised losses on disposal:				
Malaysian government securities	(9)	(26)	(368)	(753)
Malaysian government guaranteed bonds	-	-	-	(13)
Quoted equity securities of corporations in Malaysia	(17,157)	(38,765)	(34,907)	(42,459)
Quoted equity securities of corporations outside Malaysia	(14)	(36)	(101)	(133)
Quoted unit trusts in Malaysia	-	(4)	-	(14)
Unquoted unit trusts outside Malaysia	(135)	(298)	(2,071)	(1,774)
Structured deposits	-	-	-	(11)
Put options	(748)	(785)	(1,638)	(1,780)
Total realised gains/(losses) for financial assets	5,479	(28,605)	48,262	23,236
Total realised gains/(losses)	5,486	(28,455)	48,317	23,313

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		Twelve months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Investment properties				
Fair value gains on investment properties	540	-	540	-
Financial assets				
Held for trading financial assets	67,836	(39,214)	7,637	(28,241)
Designated upon initial recognition financial assets	7,847	(7,959)	(4,232)	5,926
Derivatives	8,140	4,744	(3,109)	28,563
Total fair value gains/(losses) on financial assets at Fair Value Through Profit or Loss	83,823	(42,429)	296	6,248
Impairment loss on AFS financial investments	(8,346)	(14,554)	(56,480)	(22,120)
Total fair value gains/(losses)	76,017	(56,983)	(55,644)	(15,872)

7. Profit before tax

Profit before tax 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	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,021	3,863	15,294	14,902
Depreciation of property, plant and equipment	5,452	5,058	17,014	15,723
Insurance and other receivables:				
- (Reversal)/Allowance for impairment loss	(10,018)	222	(6,904)	5,459
- Bad debts recovered	(45)	(1,795)	(144)	(204)
- Bad debts written off	3,253	-	6,885	937
Interest expense	810	1,844	5,393	7,463
Property, plant and equipment written off	381	3,563	501	3,637
Unrealised foreign exchange (losses)/gains	-	(117)	-	566

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial year ended 31 December 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		Twelve months ended	
	31 December		31 December	
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Profit before tax	127,000	100,005	438,221	423,530
Tax expense				
Income tax	35,036	32,380	116,807	112,192
Deferred tax	5,700	(3,427)	12,543	15,436
Total tax expense	40,736	28,953	129,350	127,628
Effective tax rate	32%	29%	30%	30%

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 year under review.

As at 31 December 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		Twelve months ended	
		31 December		31 December	
		2015	2014	2015	2014
Profit attributable to ordinary shareholders	(RM'000)	86,264	71,052	308,871	295,902
Weighted average number of ordinary shares in issue	('000)	167,488	160,802	168,712	165,779
Basic earnings per ordinary share	(sen)	51.50	44.19	183.08	178.49

(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	
		2015	2014	2015	2014
Profit attributable to ordinary shareholders	(RM'000)	86,264	71,052	308,871	295,902
Weighted average number of ordinary shares in issue	('000)	167,488	160,802	168,712	165,779
Effect of conversion of ICPS	('000)	176,897	178,718	176,897	178,718
Diluted weighted average number of ordinary shares during the year	('000)	344,385	339,520	345,609	344,497
Diluted earnings per ordinary share	(sen)	25.05	20.93	89.37	85.89

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

13. Dividend

For the financial year ended 31 December 2015, the Board is recommending a payment of a first and final dividend of 6.50 sen per ordinary share under single tier system (2014: nil) and a preference share dividend of 7.80 sen (2014: nil) per ICPS under single tier system, for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

The entitlement and payment dates for the abovementioned dividend will be announced at a later date.

14. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 December 2015, into realised and unrealised profit or loss, is as follow:

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Total retained earnings of the Group:		
- Realised	1,937,022	1,615,422
- Unrealised	(120,019)	(107,290)
	1,817,003	1,508,132

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 profit or loss 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 February 2016