

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

UNAUDITED QUARTERLY RESULTS  
FOR THE PERIOD ENDED 30 JUNE 2016

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

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**Condensed consolidated statement of financial position  
as at 30 June 2016 - unaudited**

	<b>30 June 2016 RM'000</b>	<b>← Audited → 31 December 2015 RM'000</b>
<b>Assets</b>		
Property, plant and equipment	92,298	96,750
Intangible assets	298,859	301,246
Investment properties	50,026	50,026
Deferred tax assets	7,635	19,051
Reinsurance assets	1,052,654	1,129,305
Investments	11,325,690	10,822,550
Derivative financial assets	24,401	5,724
Current tax assets	141	195
Insurance receivables	303,347	259,428
Other receivables, deposits and prepayments	255,491	229,302
Deferred acquisitions costs	88,248	82,199
Cash and cash equivalents	856,524	621,648
<b>Total assets</b>	<b>14,355,314</b>	<b>13,617,424</b>

**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of financial position  
as at 30 June 2016 - unaudited (continued)**

	30 June 2016 RM'000	← Audited → 31 December 2015 RM'000
<b>Equity</b>		
Share capital:		
Ordinary Shares	172,587	169,309
Irredeemable Convertible Preference Shares ("ICPS")	173,619	176,897
Reserves	2,423,263	2,275,114
<b>Total equity attributable to owners of the Company</b>	<b>2,769,469</b>	<b>2,621,320</b>
<b>Liabilities</b>		
Insurance contract liabilities	10,449,601	9,888,621
Deferred tax liabilities	174,183	158,135
Derivative financial liabilities	2,422	3,454
Other financial liabilities	4,260	959
Insurance payables	367,690	393,168
Other payables and accruals	343,137	345,068
Benefits and claims liabilities	232,632	194,563
Current tax liabilities	11,920	12,136
<b>Total liabilities</b>	<b>11,585,845</b>	<b>10,996,104</b>
<b>Total equity and liabilities</b>	<b>14,355,314</b>	<b>13,617,424</b>
<b>Net asset per ordinary share (RM)</b>	<b>16.05</b>	<b>15.48</b>
<b>Diluted net asset per ordinary share (RM)</b>	<b>8.00</b>	<b>7.57</b>

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 period ended 30 June 2016 - unaudited**

	Note (Part B)	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,148,446	1,113,620	2,315,739	2,213,610
Gross earned premiums		1,025,837	1,005,954	2,076,493	2,007,577
Premiums ceded to reinsurers		(127,480)	(153,546)	(249,290)	(315,844)
<b>Net earned premiums</b>		<b>898,357</b>	<b>852,408</b>	<b>1,827,203</b>	<b>1,691,733</b>
Investment income	4	122,609	107,666	239,246	206,033
Realised gains and losses	5	12,148	7,603	42,685	26,830
Fair value gains and losses	6	(27,071)	(57,137)	49,303	277
Fee and commission income		17,125	18,473	29,764	38,645
Other operating income		4,876	4,521	10,046	7,226
<b>Other income</b>		<b>129,687</b>	<b>81,126</b>	<b>371,044</b>	<b>279,011</b>
Gross benefits and claims paid		(504,017)	(412,120)	(1,022,308)	(818,884)
Claims ceded to reinsurers		104,744	105,922	191,771	196,810
Gross change in contract liabilities		(167,630)	(141,565)	(506,233)	(538,297)
Change in contract liabilities ceded to reinsurers		(66,610)	(105,897)	(77,574)	(67,477)
<b>Net benefits and claims</b>		<b>(633,513)</b>	<b>(553,660)</b>	<b>(1,414,344)</b>	<b>(1,227,848)</b>
Fee and commission expense		(152,069)	(150,506)	(305,504)	(297,145)
Management expenses		(123,088)	(120,262)	(236,424)	(219,393)
Other operating expenses		(10,055)	(7,669)	(17,659)	(12,502)
<b>Other expenses</b>		<b>(285,212)</b>	<b>(278,437)</b>	<b>(559,587)</b>	<b>(529,040)</b>
<b>Profit before tax</b>	7	<b>109,319</b>	<b>101,437</b>	<b>224,316</b>	<b>213,856</b>
Tax expense	8	(33,030)	(30,979)	(74,848)	(69,757)
<b>Profit for the period</b>		<b>76,289</b>	<b>70,458</b>	<b>149,468</b>	<b>144,099</b>

\* 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 period ended 30 June 2016 - unaudited**

	Note (Part B)	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
<b>Profit for the period attributable to owners of the Company</b>		76,289	70,458	149,468	144,099
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Tax effects thereon		-	50	-	50
		-	50	-	50
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale ("AFS") financial assets		9,630	788	30,926	26,718
Tax effects thereon		(2,312)	(128)	(7,442)	(6,607)
		7,318	660	23,484	20,111
<b>Total other comprehensive income for the period, net of tax</b>		7,318	710	23,484	20,161
<b>Total comprehensive income for the period, net of tax</b>		83,607	71,168	172,952	164,260
Profit attributable to: Owners of the Company		76,289	70,458	149,468	144,099
Total comprehensive income for the period attributable to: Owners of the Company		83,607	71,168	172,952	164,260
<b>Basic earnings per ordinary share (sen)</b>	12(a)	44.93	41.98	88.16	85.69
<b>Diluted earnings per ordinary share (sen)</b>	12(b)	22.22	20.43	43.56	41.75

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 period ended 30 June 2016 - unaudited**

	←————— Attributable to owners of the Company —————→							Total equity RM'000
	←————— Non-distributable —————→					Distributable		
	Ordinary shares RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non- participating fund surplus* RM'000	Retained earnings 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
Revaluation of property, plant and equipment	-	-	-	50	-	-	-	50
Fair value of AFS financial assets	-	-	-	-	20,111	-	-	20,111
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)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	-
<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

**ALLIANZ MALAYSIA BERHAD (12428-W)**
**Condensed consolidated statement of changes in equity for the period ended 30 June 2016 - unaudited (continued)**

	←————— Attributable to owners of the Company —————→							Total equity RM'000
	←————— Non-distributable —————→				Distributable			
	Ordinary shares RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non- participating fund surplus* RM'000	Retained earnings RM'000	
<b>At 1 January 2016</b>	169,309	176,897	424,823	34,058	(770)	449,104	1,367,899	2,621,320
Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-
Fair value of AFS financial assets	-	-	-	-	23,484	-	-	23,484
Total other comprehensive gain for the period	-	-	-	-	23,484	-	-	23,484
Profit for the period	-	-	-	-	-	26,586	122,882	149,468
<b>Total comprehensive income for the period</b>	-	-	-	-	23,484	26,586	122,882	172,952
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	3,278	(3,278)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(24,803)	(24,803)
<b>Total transactions with owners of the Company</b>	3,278	(3,278)	-	-	-	-	(24,803)	(24,803)
<b>At 30 June 2016</b>	172,587	173,619	424,823	34,058	22,714	475,690	1,465,978	2,769,469

\* 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.

**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of cash flows  
For the period ended 30 June 2016 - unaudited**

	Six months ended 30 June 2016 RM'000	Six months ended 30 June 2015 RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	224,316	213,856
<i>Adjustments for:</i>		
Investment income	(239,246)	(206,033)
Interest expense	4,349	3,678
Realised gains recorded in profit or loss	(42,681)	(26,782)
Fair value gains on financial investments recorded in profit or loss	(65,090)	(10,334)
Purchases of financial investments	(1,824,529)	(1,500,934)
Maturity of financial investments	420,000	329,999
Proceeds from sale of financial investments	1,090,978	456,892
Change in loans and receivables	(65,652)	(74,516)
<b>Non-cash items:</b>		
Change in fair value of AFS financial assets	(17,908)	173
Depreciation of property, plant and equipment	7,657	7,581
Amortisation of intangible assets	7,831	7,343
Gain on disposal of property, plant and equipment	(4)	(48)
Impairment loss on AFS financial investments	15,787	10,057
Property, plant and equipment written off	15	14
Insurance and other receivables:		
- Allowance for impairment loss	4,853	4,240
- Bad debts recovered	(64)	(75)
- Bad debts written off	340	3,435
<b>Changes in working capital:</b>		
Change in reinsurance assets	76,651	108,816
Change in insurance receivables	(48,861)	(63,681)
Change in other receivables, deposits and prepayments	(25,520)	47,002
Change in insurance contract liabilities	560,980	617,001
Change in deferred acquisition costs	(6,049)	(9,357)
Change in other financial liabilities	3,301	57
Change in insurance payables	(25,478)	(47,581)
Change in other payables and accruals	(5,103)	(44,438)
Change in benefits and claims liabilities	38,069	9,709
<b>Cash from/(used in) operations</b>	88,942	(163,926)



**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of cash flows  
For the period ended 30 June 2016 - unaudited (continued)**

	<b>Six months ended 30 June 2016 RM'000</b>	<b>Six months ended 30 June 2015 RM'000</b>
<b>Cash flows from operating activities (continued)</b>		
Tax paid	(56,519)	(59,324)
Dividends received	17,432	14,405
Interest income received	219,658	189,946
	<hr/>	<hr/>
<b>Net cash from/(used in) operating activities</b>	<b>269,513</b>	<b>(18,899)</b>
<b>Investing activities</b>		
Proceeds from disposal of property, plant and equipment	12	50
Acquisition of property, plant and equipment	(3,227)	(20,185)
Acquisition of intangible assets	(5,442)	(1,556)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(8,657)</b>	<b>(21,691)</b>
<b>Financing activities</b>		
Dividends paid to owners of the Company	(24,803)	(19,097)
Repayment of finance lease liabilities	-	(3)
Interest paid	(1,177)	(1,173)
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	<b>(25,980)</b>	<b>(20,273)</b>
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>234,876</b>	<b>(60,863)</b>
Cash and cash equivalents at 1 January	621,648	666,583
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June</b>	<b>856,524</b>	<b>605,720</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents comprise:</b>		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	834,965	577,574
Cash and bank balances	21,559	28,146
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	<b>856,524</b>	<b>605,720</b>
	<hr/>	<hr/>

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 period ended 30 June 2016 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 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 2015, except for the adoption of the following:

<b>MFRSs/ Amendments/ Interpretation</b>	<b>Effective date</b>
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 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 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

The initial application of the abovementioned accounting standards, amendments and interpretations did not have any material impacts to the current and prior period financial statements of the 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.

**4. Changes in estimates**

There were no material changes in the basis used for accounting estimates for the financial period ended 30 June 2016.

**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.

**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 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 2015.

**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 2016</b>	<b>RM'000</b>
Property, plant and equipment:	
Approved but not contracted for	15,114
Contracted but not provided for	3,756
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Intangible assets:	
Approved but not contracted for	29,101
Contracted but not provided for	2,730
	<hr/>

**9. Related party transactions**

Significant related party transactions are as follows:

	<b>Transactions value</b>	
	<b>Six months ended</b>	
	<b>30 June</b>	
	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Related companies*</b>		
Reinsurance premium and commission	(149,336)	(162,208)
	<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 contingent 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 3,277,625 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 classes of life insurance and investment-linked business

Information about reportable segments

For the period ended 30 June 2016 - unaudited

	Investment holding		General insurance		Life insurance		Consolidated	
	2016	2015	2016	2015	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment revenue	6,439	5,863	1,128,106	1,142,091	1,181,194	1,065,656	2,315,739	2,213,610
Inter-segment revenue	(26,244)	(1,212)	-	-	-	-	(26,244)	(1,212)
Segment results	(2,767)	(1,071)	172,674	160,961	54,409	53,966	224,316	213,856
Segment assets	376,199	368,950	5,761,422	5,491,672	8,217,693	7,007,058	14,355,314	12,867,680
Segment liabilities	69,950	70,106	3,776,538	3,747,146	7,739,357	6,596,389	11,585,845	10,413,641

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

**14. Dividend paid**

For the financial year ended 31 December 2015, a first and final dividend of 6.50 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 were paid on 15 June 2016 to the entitled ordinary shareholders and ICPS holders of the Company respectively whose names appeared on the Register of Members and/or Record of Depositors on 31 May 2016.

**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 2016 versus YTD Second Quarter 2015)**

**Operating revenue**

The Group recorded an operating revenue of RM2.32 billion for the six months ended 30 June 2016, an increase of 4.6% or RM102.1 million as compared to the preceding six months ended 30 June 2015 of RM2.21 billion due to higher gross earned premiums and investment income by RM68.9 million and RM33.2 million respectively.

The general insurance operation recorded an operating revenue of RM1.13 billion for the six months ended 30 June 2016, a decrease of 1.2% or RM14.0 million as compared to the preceding six months ended 30 June 2015 of RM1.14 billion due to the decrease in gross earned premiums by RM24.3 million. The lower gross earned premiums of the general insurance operation was mainly due to lower motor insurance as a result of lower motor sales.

The life insurance operation recorded an operating revenue of RM1.18 billion for the six months ended 30 June 2016, an increase of 10.8% or RM115.5 million as compared to the preceding six months ended 30 June 2015 of RM1.07 billion due to the increase in gross earned premiums and investment income by RM93.2 million and RM22.3 million respectively.

The increase in gross earned premiums of the life insurance operation was mainly attributable to higher renewal premiums from agency channel and continuous strong single premiums growth from the bancassurance business.

**Profit before tax**

The Group recorded a profit before tax of RM224.3 million for the six months ended 30 June 2016, an increase of 4.9% or RM10.4 million as compared to the preceding six months ended 30 June 2015 of RM213.9 million.

General insurance operation delivered a profit before tax of RM172.7 million for the six months ended 30 June 2016, an increase of 7.3% or RM11.7 million as compared to the preceding six months ended 30 June 2015 of RM161.0 million. The increase in profit was due mainly to higher investment income of RM10.3 million.

The life insurance operation delivered a profit before tax of RM54.3 million for the six months ended 30 June 2016, a relatively flat increase as compared to the preceding six months ended 30 June 2015 of RM54.0 million due mainly to higher insurance contract liabilities caused by interest rate movements.

The investment holding segment registered a loss before tax of RM2.7 million for the six months ended 30 June 2016 as compared to a loss of RM1.1 million for the preceding six months ended 30 June 2015 due to higher operating expenses for the six months under review.

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

**1.2 Results of the current quarter against the preceding quarter (Second Quarter 2016 versus First Quarter 2016)**

**Operating revenue**

The Group recorded an operating revenue of RM1.15 billion for the quarter under review, a marginal decrease of 1.6% or RM18.9 million as compared to the preceding quarter ended 31 March 2016 of RM1.17 billion due mainly to decrease in gross earned premiums by RM24.9 million.

The general insurance operation recorded an operating revenue of RM564.4 million for the quarter under review, marginal increase of 0.1% or RM0.7 million as compared to the preceding quarter ended 31 March 2016 of RM563.7 million due mainly to higher investment income.

The life insurance operation registered an operating revenue of RM580.8 million for the quarter under review, a decrease of 3.3% or RM19.6 million as compared to the preceding quarter ended 31 March 2016 of RM600.4 million due mainly to lower gross earned premium by RM24.7 million in the second quarter of the year. This is due mainly to lower contribution caused by seasonal group business.

**Profit before tax**

The Group recorded a profit before tax of RM109.3 million for the quarter under review, a decrease of 5.0% or RM5.7 million as compared to a profit before tax of the preceding quarter ended 31 March 2016 of RM115.0 million due mainly to lower contribution from general insurance operation.

The profit before tax of general insurance operation for the quarter under review of RM82.7 million, a decrease of 8.1% or RM7.3 million as compared to the preceding quarter ended 31 March 2016 of RM90.0 million due mainly to lower underwriting profit as compared to the preceding quarter.

The profit before tax of life insurance operation for the quarter under review of RM28.4 million, an increase of 9.7% or RM2.5 million as compared to the preceding quarter ended 31 March 2016 of RM25.9 million due to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM1.8 million as compared to a loss before tax of the preceding quarter ended 31 March 2016 of RM0.9 million due to higher operating expenses for the current financial period under review.

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

**2. Current year prospect**

For the remaining of 2016, the Group will continue to exercise discipline in executing its strategic initiatives. The Group is mindful that the current macroeconomic headwinds of slower growth and weaker domestic currency will dampen consumer sentiments and impact sales of insurance products. It will continue to capitalize on its strength of multi-distribution strategy and superior customer service and delivery to improve the Group's performance.

The Group will also continue with its ambition to digitalize its business model. It will leverage on digital platforms to promote positive customer experience and customer growth and at the same time to gain productivity. Productivity gains will be reinvested in business model to spur further improvements.

Amid the current macroeconomic headwinds, the Board is nonetheless optimistic that the Group will be able to execute its strategies and deliver satisfactory results for the financial year 2016.

**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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	109,626	94,887	216,074	186,514
Dividend income	10,196	10,232	17,432	14,405
Accretion of discounts	1,558	1,330	3,182	2,651
Amortisation of premiums	(964)	(1,014)	(1,883)	(2,082)
Rental income	53	254	103	542
Other income	2,140	1,977	4,338	4,003
	<b>122,609</b>	<b>107,666</b>	<b>239,246</b>	<b>206,033</b>

**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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Property, plant and equipment</b>				
Realised gains on disposal	4	-	4	50
Realised losses on disposal	-	(2)	-	(2)
<b>Total net realised gains/(losses) for property, plant and equipment</b>	<b>4</b>	<b>(2)</b>	<b>4</b>	<b>48</b>
<b>Financial assets</b>				
Realised gains on disposal:				
Malaysian government securities	1,619	3,360	10,577	4,709
Quoted equity securities of corporations in Malaysia	7,909	5,536	58,386	33,272
Quoted equity securities of corporations outside Malaysia	18	29	137	60
Quoted unit trusts in Malaysia	710	972	3,281	2,602
Unquoted unit trusts outside Malaysia	9,446	95	9,583	157
Realised losses on disposal:				
Malaysian government securities	(2,333)	-	(2,333)	(359)
Quoted equity securities of corporations in Malaysia	(5,149)	(1,159)	(36,642)	(12,232)
Quoted equity securities of corporations outside Malaysia	(10)	(30)	(126)	(56)
Unquoted unit trusts outside Malaysia	(66)	(308)	(182)	(481)
Put options	-	(890)	-	(890)
<b>Total net realised gains for financial assets</b>	<b>12,144</b>	<b>7,605</b>	<b>42,681</b>	<b>26,782</b>
<b>Total net realised gains</b>	<b>12,148</b>	<b>7,603</b>	<b>42,685</b>	<b>26,830</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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
Held for trading financial assets	(35,586)	36,851	13,211	(496)
Designated upon initial recognition financial assets	8,348	799	32,704	18,164
Derivatives	4,481	(11,028)	19,175	(7,334)
Total fair value (losses)/gains on financial assets at Fair Value Through Profit or Loss	(22,757)	26,622	65,090	10,334
Impairment loss on AFS financial investments	(4,314)	(10,057)	(15,787)	(10,057)
Total net fair value (losses)/gains	(27,071)	16,565	49,303	277

**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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	3,991	3,702	7,831	7,343
Depreciation of property, plant and equipment	3,900	3,956	7,657	7,581
Insurance and other receivables:				
- Allowance for impairment loss	2,163	6,825	4,853	4,240
- Bad debts recovered	(31)	(31)	(64)	(75)
- Bad debts written off	188	3,426	340	3,435
Interest expense	3,504	2,906	4,349	3,678
Property, plant and equipment written off	11	10	15	14

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 June 2016.

**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	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	109,319	101,437	224,316	213,856
<b>Tax expense</b>				
Income tax	23,643	23,451	56,356	53,032
Deferred tax	9,387	7,528	18,492	16,725
Total tax expense	33,030	30,979	74,848	69,757
Effective tax rate	30%	31%	33%	33%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 24% (2015: 25%) due mainly to the following:

- In addition to the 24% 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 2016	RM'000
<u>Interest Bearing</u>	
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	
		2016	2015	2016	2015
Profit attributable to ordinary shareholders	(RM'000)	76,289	70,458	149,468	144,099
Weighted average number of ordinary shares in issue	('000)	169,789	167,835	169,546	168,159
Basic earnings per ordinary share	(sen)	44.93	41.98	88.16	85.69

(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	
		2016	2015	2016	2015
Profit attributable to ordinary shareholders	(RM'000)	76,289	70,458	149,468	144,099
Weighted average number of ordinary shares in issue	('000)	169,789	167,835	169,546	168,159
Effect of conversion of ICPS	('000)	173,619	176,967	173,619	176,967
Diluted weighted average number of ordinary shares during the year	('000)	343,408	344,802	343,165	345,126
Diluted earnings per ordinary share	(sen)	22.22	20.43	43.56	41.75

**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 2016 (2015: Nil).

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

The breakdown of the retained earnings of the Group as at 30 June 2016, into realised and unrealised profit or loss, is as follow:

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Total retained earnings of the Group:		
- Realised	2,074,161	1,937,022
- Unrealised	(132,493)	(120,019)
	1,941,668	1,817,003

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 2015 was not qualified.

**BY ORDER OF THE BOARD**

Ng Siew Gek  
Company Secretary

Kuala Lumpur  
18 August 2016