

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2016

ALLIANZ MALAYSIA BERHAD (12428-W)

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

	30 September 2016 RM'000	← Audited → 31 December 2015 RM'000
Assets		
Property, plant and equipment	108,783	96,750
Intangible assets	296,247	301,246
Investment properties	31,541	50,026
Deferred tax assets	3,077	19,051
Reinsurance assets	1,034,517	1,129,305
Investments	11,476,709	10,822,550
Derivative financial assets	27,426	5,724
Current tax assets	3,620	195
Insurance receivables	299,181	259,428
Other receivables, deposits and prepayments	299,829	229,302
Deferred acquisitions costs	89,685	82,199
Cash and cash equivalents	1,210,353	621,648
Total assets	14,880,968	13,617,424

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

	← Audited →	
	30 September 2016 RM'000	31 December 2015 RM'000
Equity		
Share capital:		
Ordinary Shares	172,719	169,309
Irredeemable Convertible Preference Shares ("ICPS")	173,487	176,897
Reserves	2,516,982	2,275,114
Total equity attributable to owners of the Company	2,863,188	2,621,320
Liabilities		
Insurance contract liabilities	10,780,614	9,888,621
Deferred tax liabilities	189,695	158,135
Derivative financial liabilities	3,453	3,454
Other financial liabilities	11,434	959
Insurance payables	387,880	393,168
Other payables and accruals	383,009	345,068
Benefits and claims liabilities	251,851	194,563
Current tax liabilities	9,844	12,136
Total liabilities	12,017,780	10,996,104
Total equity and liabilities	14,880,968	13,617,424
Net asset per ordinary share (RM)	16.58	15.48
Diluted net asset per ordinary share (RM)	8.27	7.57

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 September 2016 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2016	2015	2016	2015
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		1,152,180	1,135,434	3,467,919	3,349,044
Gross earned premiums		1,024,227	1,026,153	3,100,720	3,033,730
Premiums ceded to reinsurers		(125,554)	(134,196)	(374,844)	(450,040)
Net earned premiums		898,673	891,957	2,725,876	2,583,690
Investment income	4	127,953	109,281	367,199	315,314
Realised gains and losses	5	15,687	16,001	58,372	42,831
Fair value gains and losses	6	57,685	(131,938)	106,988	(131,661)
Fee and commission income		20,984	14,235	50,748	52,880
Other operating income		4,456	5,414	14,502	12,640
Other income		226,765	12,993	597,809	292,004
Gross benefits and claims paid		(516,692)	(404,965)	(1,539,000)	(1,223,849)
Claims ceded to reinsurers		85,868	87,095	277,639	283,905
Gross change in contract liabilities		(276,973)	(163,349)	(783,206)	(701,646)
Change in contract liabilities ceded to reinsurers		(10,047)	(50,899)	(87,621)	(118,376)
Net benefits and claims		(717,844)	(532,118)	(2,132,188)	(1,759,966)
Fee and commission expense		(157,354)	(153,690)	(462,858)	(450,835)
Management expenses		(133,706)	(114,411)	(370,130)	(333,804)
Other operating expenses		(7,263)	(7,366)	(24,922)	(19,868)
Other expenses		(298,323)	(275,467)	(857,910)	(804,507)
Profit before tax	7	109,271	97,365	333,587	311,221
Tax expense	8	(36,587)	(18,857)	(111,435)	(88,614)
Profit for the period		72,684	78,508	222,152	222,607

* 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 September 2016 - unaudited**

	Note (Part B)	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the period attributable to owners of the Company		72,684	78,508	222,152	222,607
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment		-	9,189	-	9,189
Tax effects thereon		-	(2,206)	-	(2,156)
		-	6,983	-	7,033
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale ("AFS") financial assets		27,673	(30,557)	58,599	(3,839)
Tax effects thereon		(6,638)	7,330	(14,080)	723
		21,035	(23,227)	44,519	(3,116)
Total other comprehensive income/(loss) for the period, net of tax		21,035	(16,244)	44,519	3,917
Total comprehensive income for the period, net of tax		93,719	62,264	266,671	226,524
Profit attributable to: Owners of the Company		72,684	78,508	222,152	222,607
Total comprehensive income for the period attributable to: Owners of the Company		93,719	62,264	266,671	226,524
Basic earnings per ordinary share (sen)	12(a)	42.92	46.87	130.25	132.10
Diluted earnings per ordinary share (sen)	12(b)	21.20	22.80	64.57	64.45

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 September 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	
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	-	-	-	7,033	-	-	-	7,033
Fair value of AFS financial assets	-	-	-	-	(3,116)	-	-	(3,116)
Total other comprehensive income for the period	-	-	-	7,033	(3,116)	-	-	3,917
Profit for the period	-	-	-	-	-	51,736	170,871	222,607
Total comprehensive income for the period	-	-	-	7,033	(3,116)	51,736	170,871	226,524
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	1,821	(1,821)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	-	-
Total transactions with owners of the Company	1,821	(1,821)	-	-	-	-	-	-
At 30 September 2015	169,309	176,897	424,823	32,144	(17,609)	430,290	1,300,449	2,516,303

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 30 September 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	
At 1 January 2016	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	-	-	-	-	44,519	-	-	44,519
Total other comprehensive income for the period	-	-	-	-	44,519	-	-	44,519
Profit for the period	-	-	-	-	-	44,325	177,827	222,152
Total comprehensive income for the period	-	-	-	-	44,519	44,325	177,827	266,671
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	3,410	(3,410)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(24,803)	(24,803)
Total transactions with owners of the Company	3,410	(3,410)	-	-	-	-	(24,803)	(24,803)
At 30 September 2016	172,719	173,487	424,823	34,058	43,749	493,429	1,520,923	2,863,188

* 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 September 2016 - unaudited**

	Nine months ended 30 September 2016 RM'000	Nine months ended 30 September 2015 RM'000
Cash flows from operating activities		
Profit before tax	333,587	311,221
<i>Adjustments for:</i>		
Investment income	(367,199)	(315,314)
Interest expense	5,321	4,583
Realised gains recorded in profit or loss	(58,367)	(42,783)
Fair value gains/(losses) on financial investments recorded in profit or loss	(128,460)	83,527
Purchases of financial investments	(2,446,559)	(2,371,357)
Maturity of financial investments	520,000	447,000
Proceeds from sale of financial investments	1,646,223	688,540
Change in loans and receivables	(100,873)	(73,776)
Non-cash items:		
Change in fair value of investment properties	804	-
Change in fair value of AFS financial assets	(62,132)	65,921
Depreciation of property, plant and equipment	12,201	11,562
Amortisation of intangible assets	11,925	11,273
Gain on disposal of property, plant and equipment	(5)	(48)
Impairment loss on AFS financial investments	20,668	48,134
Property, plant and equipment written off	23	120
Insurance and other receivables:		
- Allowance for impairment loss	6,981	3,114
- Bad debts recovered	(99)	(99)
- Bad debts written off	363	3,632
Changes in working capital:		
Change in reinsurance assets	94,788	151,577
Change in insurance receivables	(46,737)	(74,592)
Change in other receivables, deposits and prepayments	(72,890)	48,330
Change in insurance contract liabilities	891,993	733,739
Change in deferred acquisition costs	(7,486)	(11,186)
Change in other financial liabilities	10,475	9,107
Change in insurance payables	(5,288)	26,882
Change in other payables and accruals	33,797	(28,108)
Change in benefits and claims liabilities	57,288	14,981
Cash generated from/(used in) operations	350,342	(254,020)

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of cash flows
For the period ended 30 September 2016 - unaudited (continued)

	Nine months ended 30 September 2016 RM'000	Nine months ended 30 September 2015 RM'000
Cash flows from operating activities (continued)		
Tax paid	(89,074)	(83,798)
Dividends received	30,390	21,629
Interest income received	336,520	285,820
Others	-	6,975
Net cash from/(used in) operating activities	628,178	(23,394)
Investing activities		
Proceeds from disposal of property, plant and equipment	14	50
Acquisition of property, plant and equipment	(9,063)	(23,315)
Acquisition of intangible assets	(4,444)	(3,284)
Net cash used in investing activities	(13,493)	(26,549)
Financing activities		
Dividends paid to owners of the Company	(24,803)	(19,097)
Repayment of finance lease liabilities	-	(3)
Interest paid	(1,177)	(2,340)
Net cash used in financing activities	(25,980)	(21,440)
Net increase/(decrease) in cash and cash equivalents	588,705	(71,383)
Cash and cash equivalents at 1 January	621,648	666,583
Cash and cash equivalents at 30 September	1,210,353	595,200
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	1,171,107	561,583
Cash and bank balances	39,246	33,617
	1,210,353	595,200

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 September 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:

MFRSs/ Amendments/ Interpretation	Effective date
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 September 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

As at 30 September 2016	RM'000
Property, plant and equipment:	
Approved but not contracted for	13,027
Contracted but not provided for	3,305
Intangible assets:	
Approved but not contracted for	24,649
Contracted but not provided for	5,371

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Nine months ended	
	30 September	
	2016	2015
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(210,792)	(228,156)

* 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 3,409,527 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 September 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	9,832	9,086	1,686,829	1,715,438	1,771,258	1,624,520	3,467,919	3,349,044
Inter-segment revenue	(26,860)	(1,828)	(54)	-	-	-	(26,914)	(1,828)
Segment results	(2,971)	(765)	246,588	235,636	89,970	76,350	333,587	311,221
Segment assets	376,600	371,332	5,879,009	5,656,770	8,625,359	7,120,498	14,880,968	13,148,600
Segment liabilities	69,832	68,703	3,818,683	3,874,281	8,129,265	6,689,313	12,017,780	10,632,297

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 (2015: First and final dividend of 6.50 sen per ordinary share and 7.80 sen per ICPS both under single-tier system).

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 Third Quarter 2016 versus YTD Third Quarter 2015)

Operating revenue

The Group recorded an operating revenue of RM3.47 billion for the nine months ended 30 September 2016, an increase of 3.6% or RM118.9 million as compared to the preceding nine months ended 30 September 2015 of RM3.35 billion due to higher gross earned premiums and investment income by RM67.0 million and RM51.9 million respectively.

The general insurance operation recorded an operating revenue of RM1.69 billion for the nine months ended 30 September 2016, a decrease of 1.7% or RM28.6 million as compared to the preceding nine months ended 30 September 2015 of RM1.72 billion due to the decrease in gross earned premiums by RM42.4 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 RM1.77 billion for the nine months ended 30 September 2016, an increase of 9.0% or RM146.7 million as compared to the preceding nine months ended 30 September 2015 of RM1.62 billion due to the increase in gross earned premiums and investment income by RM109.4 million and RM37.2 million respectively.

The increase in gross earned premiums of the life insurance operation was attributable to higher premiums from all the key distribution channels.

Profit before tax

The Group recorded a profit before tax of RM333.6 million for the financial period ended 30 September 2016, an increase of 7.2% or RM22.4 million as compared to the preceding financial period ended 30 September 2015 of RM311.2 million.

General insurance operation delivered a profit before tax of RM246.6 million for the financial period ended 30 September 2016, an increase of 4.6% or RM10.9 million as compared to the preceding financial period ended 30 September 2015 of RM235.7 million. The increase in profit was due mainly to higher investment income of RM13.7 million.

The life insurance operation delivered profit before tax of RM90.0 million for the financial period ended 30 September 2016, an increase of 18% or RM13.7 million as compared to a profit before tax of the preceding financial period ended 30 September 2015 of RM76.3 million due mainly to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM3.0 million for the financial period ended 30 September 2016 as compared to a loss of RM0.8 million for the preceding financial period ended 30 September 2015 due to higher operating expenses for the nine 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 (Third Quarter 2016 versus Second Quarter 2016)

Operating revenue

The Group recorded an operating revenue of RM1.15 billion for the quarter under review, a marginal increase of 0.3% or RM3.7 million as compared to the preceding quarter ended 30 June 2016 of RM1.15 billion due to higher investment income of RM5.3 million.

The general insurance operation recorded an operating revenue of RM558.7 million for the quarter under review, a marginal decrease of 1.0% or RM5.7 million as compared to the preceding quarter ended 30 June 2016 of RM564.4 million due mainly to decrease of gross earned premiums.

The life insurance operation registered an operating revenue of RM590.1 million for the quarter under review, an increase of 1.6% or RM9.3 million as compared to the preceding quarter ended 30 June 2016 of RM580.8 million due mainly to increase of gross earned premium by RM4.8 million in the third quarter of the year. This is due mainly to higher renewal premiums from agency channel.

Profit before tax

The Group recorded a profit before tax of RM109.3 million for the quarter under review, similar to the preceding quarter ended 30 June 2016 of RM109.3 million.

The profit before tax of general insurance operation for the quarter under review of RM73.9 million, a decrease of 10.6% or RM8.8 million as compared to the preceding quarter ended 30 June 2016 of RM82.7 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 RM35.7 million, an increase of 25.7% or RM7.3 million as compared to the preceding quarter ended 30 June 2016 of RM28.4 million due to higher contribution from protection business.

The investment holding segment registered a loss before tax of RM0.3 million as compared to a loss before tax of the preceding quarter ended 30 June 2016 of RM1.8 million due to lower 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

The remaining 2016 is expected to be challenging in view of the slowdown in the growth of economy in Malaysia.

The first phase of the detariffication of motor and fire insurance products came into effect on 1 July 2016, thus greater competition amongst the general insurance companies from thereon. The general insurance subsidiary continues to focus on profitable businesses and to ensure the quality of the overall business and services in its portfolio. It continues to introduce innovative products and riders to increase value proposition to customers and to focus on data analytics for risk segmentation and improving pricing capabilities. Life insurance subsidiary's priority remains on expanding investment-linked business through rider attachments that address customer needs and protection gaps.

Both the insurance subsidiaries continue to strategically invest in customer front facing digital initiatives and upgrading operational infrastructures to create scalable business platforms and speed in on-boarding customers. The Group invests in building digital agency and electronic point of sales tool. Investment is also made to drive customer experience consistently across distribution channels and to make it easier for customers to do business with the Group.

Whilst operating environment remains tough, the Board is confident that the Group's insurance businesses remain resilient and necessary measures have been put in place to ensure that the Group will achieve satisfactory results.

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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Interest income	111,974	99,151	328,048	285,665
Dividend income	12,802	7,224	30,234	21,629
Accretion of discounts	1,969	1,494	5,151	4,145
Amortisation of premiums	(882)	(976)	(2,765)	(3,058)
Rental income	(2)	253	101	795
Other income	2,092	2,135	6,430	6,138
	<u>127,953</u>	<u>109,281</u>	<u>367,199</u>	<u>315,314</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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment				
Realised gains on disposal	1	-	5	50
Realised losses on disposal	-	-	-	(2)
Total net realised gains for property, plant and equipment	1	-	5	48
Financial assets				
Realised gains on disposal:				
Malaysian government securities	1,756	626	12,333	5,335
Quoted equity securities of corporations in Malaysia	19,198	16,477	77,584	49,749
Quoted equity securities of corporations outside Malaysia	192	65	329	125
Quoted unit trusts in Malaysia	264	775	3,545	3,377
Unquoted unit trusts outside Malaysia	92	5,062	9,675	5,219
Unquoted bonds of corporations in Malaysia	625	-	625	-
Realised losses on disposal:				
Malaysian government securities	(3,523)	-	(5,856)	(359)
Quoted equity securities of corporations in Malaysia	(2,406)	(5,518)	(39,048)	(17,750)
Quoted equity securities of corporations outside Malaysia	(43)	(31)	(169)	(87)
Unquoted unit trusts outside Malaysia	(59)	(1,455)	(241)	(1,936)
Unquoted debts securities in Malaysia	(410)	-	(410)	-
Put options	-	-	-	(890)
Total net realised gains for financial assets	15,686	16,001	58,367	42,783
Total net realised gains	15,687	16,001	58,372	42,831

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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Investment properties				
Fair value loss on investment properties	(804)	-	(804)	-
Financial assets				
Held for trading financial assets	34,761	(59,703)	47,972	(60,199)
Designated upon initial recognition financial assets	27,820	(30,243)	60,524	(12,079)
Derivatives	789	(3,915)	19,964	(11,249)
Total fair value gains/(losses) on financial assets at Fair Value Through Profit or Loss	63,370	(93,861)	128,460	(83,527)
Impairment loss on AFS financial investments	(4,881)	(38,077)	(20,668)	(48,134)
Total net fair value gains/(losses)	57,685	(131,938)	106,988	(131,661)

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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	4,094	3,930	11,925	11,273
Depreciation of property, plant and equipment	4,544	3,981	12,201	11,562
Insurance and other receivables:				
- Allowance for/(Reversal of) impairment loss	2,128	(1,126)	6,981	3,114
- Bad debts recovered	(35)	(24)	(99)	(99)
- Bad debts written off	23	197	363	3,632
Interest expense	972	905	5,321	4,583
Property, plant and equipment written off	8	106	23	120

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 September 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		Nine months ended	
	30 September		30 September	
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Profit before tax	109,271	97,365	333,587	311,221
Tax expense				
Income tax	27,001	28,739	83,357	81,771
Deferred tax	9,586	(9,882)	28,078	6,843
Total tax expense	36,587	18,857	111,435	88,614
Effective tax rate	33%	19%	33%	28%

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 September 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		Nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
Profit attributable to ordinary shareholders	(RM'000)	72,684	78,508	222,152	222,607
Weighted average number of ordinary shares in issue	('000)	169,351	167,511	170,557	168,518
Basic earnings per ordinary share	(sen)	42.92	46.87	130.25	132.10

(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		Nine months ended	
		30 September		30 September	
		2016	2015	2016	2015
Profit attributable to ordinary shareholders	(RM'000)	72,684	78,508	222,152	222,607
Weighted average number of ordinary shares in issue	('000)	169,351	167,511	170,557	168,518
Effect of conversion of ICPS	('000)	173,487	176,897	173,487	176,897
Diluted weighted average number of ordinary shares during the year	('000)	342,838	344,408	344,044	345,415
Diluted earnings per ordinary share	(sen)	21.20	22.80	64.57	64.45

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 third quarter of 2016 (2015: Nil).

14. Disclosure of realised and unrealised earnings

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

	As at 30.09.2016 RM'000	As at 31.12.2015 RM'000
Total retained earnings of the Group:		
- Realised	2,150,304	1,937,022
- Unrealised	(135,952)	(120,019)
	<hr/> 2,014,352	<hr/> 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
29 November 2016