

Company No.

814942	M
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MANULIFE INSURANCE BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

Company No.

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MANULIFE INSURANCE BERHAD

(Incorporated in Malaysia)

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MANULIFE INSURANCE BERHAD

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
ASSETS			
Property and equipment		20,283	20,581
Investment properties		50,395	49,177
Intangible assets	12	34,084	36,200
Available-for-sale financial assets	13 (a)	2,682,631	2,617,360
Financial assets at fair value through profit or loss	13 (b)	1,023,738	950,579
Loans and receivables		457,173	459,250
Reinsurance assets	14	4,201	2,644
Current tax assets		6,723	2,212
Insurance receivables		24,083	23,608
Cash and cash equivalents		63,863	56,403
TOTAL ASSETS		4,367,174	4,218,014
EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES			
Share capital		150,000	150,000
Retained earnings		260,164	247,497
Other reserves		15,122	11,493
TOTAL EQUITY		425,286	408,990
Insurance contract liabilities	15	3,309,596	3,272,101
Insurance claim liabilities		55,854	42,385
Financial liabilities at fair value through profit or loss	16	1,621	700
Deferred tax liabilities		34,596	33,576
Insurance payables		407,060	396,502
Other payables		133,161	63,760
TOTAL LIABILITIES		3,941,888	3,809,024
TOTAL EQUITY, POLICYHOLDERS' FUNDS AND LIABILITIES		4,367,174	4,218,014

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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MANULIFE INSURANCE BERHAD

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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

	<u>30.06.2015</u>	<u>Cumulative 6 months ended 30.06.2014</u>
	<u>RM'000</u>	<u>RM'000</u>
Premium income		
Gross premiums	329,982	375,626
Premiums ceded to reinsurers	<u>(6,410)</u>	<u>(4,897)</u>
Net premiums	323,572	370,729
Investment income	75,045	74,020
Net realised gains	16,210	32,095
Net fair value (losses)/gains	(34,610)	30,123
Fee income	1,721	1,294
Other operating income	<u>835</u>	<u>841</u>
Total revenue	<u>382,773</u>	<u>509,102</u>
Gross benefits and claims paid	(274,547)	(225,688)
Claims ceded to reinsurers	2,620	2,601
Gross change in contract liabilities	<u>(33,896)</u>	<u>(179,239)</u>
Net claims	<u>(305,823)</u>	<u>(402,326)</u>
Fee and commission expenses	(27,817)	(33,850)
Investment expenses	(4,123)	(4,202)
Management expenses	(44,899)	(42,799)
Other income/(expenses)	<u>17,289</u>	<u>(10,907)</u>
Other expenses	<u>(59,550)</u>	<u>(91,758)</u>
Profit before taxation	17,400	15,018
Taxation	<u>(4,733)</u>	<u>(3,842)</u>
Net profit for the financial period	<u>12,667</u>	<u>11,176</u>
Net profit attributable to:		
Equity holders of the Company	<u>12,667</u>	<u>11,176</u>
Basic and diluted earnings per share (sen)	<u>4.22</u>	<u>3.73</u>

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

	<u>30.06.2015</u> RM'000	<u>Cumulative 6 months ended 30.06.2014</u> RM'000
Net profit for the financial period	12,667	11,176
Other comprehensive income, net of tax:		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:-		
Fair value change on available-for-sale financial assets:		
- Gross fair value change	7,141	(6,518)
- Deferred tax	(840)	449
	6,301	(6,069)
Change in insurance contract liabilities arising from unrealised fair value changes	(2,672)	9,902
Net gains	3,629	3,833
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	3,629	3,833
Other comprehensive income for the financial period	3,629	3,833
Total comprehensive income for the financial period	16,296	15,009
Total comprehensive income attributable to:		
Equity holders of the Company	16,296	15,009

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

	<u>Note</u>	<u>Share capital</u> RM'000	<u>Fair value reserve</u> RM'000	<u>Retained earnings</u> RM'000	<u>Total</u> RM'000
At 1 January 2015		150,000	11,493	247,497	408,990
Net profit for the financial period		-	-	12,667	12,666
Other comprehensive income for the financial period		-	3,629	-	3,629
Total comprehensive income for the financial period		-	3,629	12,667	16,296
At 30 June 2015		<u>150,000</u>	<u>15,122</u>	<u>260,164</u>	<u>425,286</u>
At 1 January 2014		150,000	15,045	204,070	369,115
Net profit for the financial period		-	-	11,176	11,176
Other comprehensive income for the financial period		-	3,833	-	3,833
Total comprehensive income for the financial period		-	3,833	11,176	15,009
At 30 June 2014		<u>150,000</u>	<u>18,878</u>	<u>215,246</u>	<u>384,124</u>

Included in the retained earnings are surplus from Non-participating life fund (net of deferred tax) of approximately RM 84,250,000 (1 January 2015: RM 71,719,000 ; 30 June 2014: RM 82,300,000; 1 January 2014: RM 71,719,000). These amounts are only distributable upon the actual recommended transfer from Non-participating Life Fund to the Shareholders' fund by the Appointed Actuary.

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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MANULIFE INSURANCE BERHAD

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS PERIOD ENDED 30 JUNE 2015

	6 months ended 30.06.2015	6 months ended 30.06.2014
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the financial period	12,667	11,176
Adjustments for non-cash items	(39,839)	60,236
Operating (losses)/profit before changes in operating assets and liabilities	(27,172)	71,412
Purchase of investments	(1,256,410)	(1,267,345)
Proceeds from sale and maturity of investments	1,132,099	1,183,794
Interest income received	51,674	49,085
Dividend income received	19,496	19,763
Rental income received	1,907	2,526
Decrease in loan receivables	19,862	11,722
(Increase)/decrease in other receivables	(38,034)	9,590
Decrease/(increase) in fixed and call deposits	23,048	(38,169)
Increase in insurance claims liabilities	12,839	5,524
Increase/(decrease) in payables	79,959	(3,969)
Cash generated from operations	19,268	43,933
Income taxes paid	(10,682)	(15,375)
Net cash inflow from operating activities	8,586	28,558
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(1,159)	(3,766)
Purchase of intangible assets	(3)	(10,000)
Proceeds from disposal of property and equipment	36	-
Net cash outflow from investing activities	(1,126)	(13,766)
Net increase during the financial period	7,460	14,792
Cash and cash equivalents at 1 January	56,403	34,404
Cash and cash equivalents at 30 June	63,863	49,196

CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the statement of cash flows and statement of financial position comprise the following:

	As at 30.06.2015	As at 30.06.2014
	RM'000	RM'000
Cash and bank balances	63,787	49,122
Short-term deposits	76	74
Cash and cash equivalents	63,863	49,196

The accompanying notes form an integrated part of these unaudited condensed interim financial statements.

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MANULIFE INSURANCE BERHAD

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

The condensed interim financial statements are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, “Interim Financial Reporting” and should be read in conjunction with the Company’s audited financial statements for the financial year ended 31 December 2014, which were prepared in accordance with the Malaysian Financial Reporting Standards.

The explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to gain an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2014.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the Company in the unaudited condensed interim financial statements are consistent with those adopted in the Company’s audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following MFRS:

<u>Description</u>	<u>Effective Date</u>
Amendments to MFRS 119: Defined Benefit Plans: Employee Contributions	1 July 2014
Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011–2013 Cycle	1 July 2014

The adoption of the above amendments to standards issued by Malaysian Accounting Standards Board (“MASB”) in the current financial year do not have any material impact to the financial statements of the Company.

As at the date of authorisation of these interim financial statements, the MFRSs, amendments to MFRSs and IC Interpretations that are issued by MASB but not yet effective in the current year are not expected to have any material impact on the financial statements of the Company.

3. SEASONAL/CYCLICAL FACTORS

The business operations of the Company are subject to the sales cycle of the insurance business.

4. UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows for the financial period ended 30 June 2015.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

5. CHANGE IN ESTIMATES

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

6. DEBT AND EQUITY SECURITIES

There were no issuances, cancellation, repurchases, resale and repayment of debt and equity securities during the current financial period ended 30 June 2015.

7. DIVIDENDS

No dividends has been paid or declared by the Company since the end of the previous financial year.

8. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD

There is no material event subsequent to the end of the period under review that has not been reported in the interim financial statements for the current financial period to date.

9. CHANGES IN COMPOSITION OF THE COMPANY

There is no change in the Company's composition for the current financial period to date.

10. CONTINGENT LIABILITIES

There were no contingent liabilities as at the date of this report since the last annual statement of financial position date.

11. SIGNIFICANT EVENTS

There are no significant events during the financial period to date.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

12. INTANGIBLE ASSET

	Exclusive right RM'000	Computer software RM'000	Total RM'000
Cost			
At 1 January 2014	30,000	491	30,491
Additions	10,000	933	10,933
Transfer from property and equipment	-	644	644
At 31 December 2014/1 January 2015	<u>40,000</u>	<u>2,068</u>	<u>42,068</u>
Additions	-	3	3
At 30 June 2015	<u>40,000</u>	<u>2,071</u>	<u>42,071</u>
Accumulated amortisation			
At 1 January 2014	1,373	491	1,864
Amortisation during the financial year	3,505	113	3,618
Transfer from property and equipment	-	386	386
At 31 December 2014/1 January 2015	<u>4,878</u>	<u>990</u>	<u>5,868</u>
Amortisation during the financial period	1,975	144	2,504
At 30 June 2015	<u>6,853</u>	<u>1,134</u>	<u>8,372</u>
Net carrying amount			
At 30 June 2015	<u>33,147</u>	<u>937</u>	<u>34,084</u>
At 31 December 2014	<u>35,122</u>	<u>1,078</u>	<u>36,200</u>

The Exclusive right is a definite life intangible asset and relates to a 10-year exclusive bancassurance agreement entered into between the Company and Alliance Bank Malaysia Berhad ("ABMB") on 13 June 2013. The exclusive right is amortised over the duration of the agreement with reference to the benefits generated from the partnership in which the Company expects to recognise the related revenue.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. FINANCIAL ASSETS

(a) Available-for-sale

	As at 30.06.2015	As at 31.12.2014
	RM'000	RM'000
Equity securities		
- Quoted in Malaysia	681,557	688,748
- Unquoted	1,944	1,944
Unit trust funds*	267,662	231,112
Malaysian Government Securities	615,870	638,011
Government Investment Issues	137,049	166,109
Corporate debt securities		
- Unquoted	962,029	875,291
Accrued interest	16,520	16,145
	<u>2,682,631</u>	<u>2,617,360</u>
Current	1,029,074	1,028,931
Non-current	1,653,557	1,588,429
	<u>2,682,631</u>	<u>2,617,360</u>

(b) Fair value through profit or loss - designated upon initial recognition

	As at 30.06.2015	As at 31.12.2014
	RM'000	RM'000
Equity securities		
- Quoted in Malaysia	347,761	287,743
- Quoted outside Malaysia	4,714	4,153
Unit trust funds*	1,079	486
Malaysian Government Securities	54,249	67,133
Government Investment Issues	9,340	18,541
Corporate debt securities		
- Unquoted	198,314	195,545
Mutual funds		
- Quoted outside Malaysia	405,828	374,566
Derivatives		
- Forward foreign exchange contract	76	-
Accrued interest	2,377	2,412
	<u>1,023,738</u>	<u>950,579</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

13. FINANCIAL ASSETS (CONTINUED)

(b) Fair value through profit or loss - designated upon initial recognition (continued)

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Current	853,864	763,305
Non-current	169,874	187,274
	<u>1,023,738</u>	<u>950,579</u>

* Includes investment in unit trust fund managed by a related company.

During the six months period ended 30 June 2015, there were no changes in classification of financial assets nor transfer between fair value hierarchy of financial assets as a result of a change in the purpose or the use of these financial assets.

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as asset together with their notional amounts. The notional amount, recorded gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

	Notional amount RM'000	Asset RM'000	Liability RM'000	Net carrying amount RM'000
30 June 2015				
Hedging derivative:				
Forward foreign exchange contract	<u>37,295</u>	<u>76</u>	<u>-</u>	<u>76</u>
31 December 2014				
Hedging derivative:				
Forward foreign exchange contract	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

14. REINSURANCE ASSETS

	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Reinsurance assets on:		
- Insurance contract liabilities	1,958	1,031
- Insurance claims liabilities	2,243	1,613
	<u>4,201</u>	<u>2,644</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

15. INSURANCE CONTRACT LIABILITIES

	Gross		Net	
	As at	As at	As at	As at
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	2,170,411	2,133,716	2,168,453	2,132,685
Unallocated surplus	187,635	223,854	187,635	223,854
Fair value reserve	55,759	53,087	55,759	53,087
Asset revaluation reserve	641	641	641	641
Investment-linked policyholders' account	895,150	860,803	895,150	860,803
	<u>3,309,596</u>	<u>3,272,101</u>	<u>3,307,638</u>	<u>3,271,070</u>
Current	1,232,762	1,272,534	1,232,810	1,272,563
Non-current	2,076,834	1,999,567	2,074,828	1,998,507
	<u>3,309,596</u>	<u>3,272,101</u>	<u>3,307,638</u>	<u>3,271,070</u>

The life insurance contract liabilities and its movements are further analysed as follows:

	Gross		Net	
	As at	As at	As at	As at
	30.06.2015	31.12.2014	30.06.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	3,272,101	3,072,831	3,271,070	3,072,740
Inforce reserve movement	(12,510)	16,768	(12,510)	16,768
New business reserve	10,265	17,179	9,338	16,239
Discount rate and other changes	38,940	11,905	38,940	11,905
Unallocated surplus	(36,219)	21,267	(36,219)	21,267
Fair value reserve, net of tax	2,672	(62,039)	2,672	(62,039)
Asset revaluation reserve	-	-	-	-
Investment-linked policyholders' account	34,347	194,190	34,347	194,190
At 30 June/31 December	<u>3,309,596</u>	<u>3,272,101</u>	<u>3,307,638</u>	<u>3,271,070</u>

As the Non-participating life fund's unallocated surplus and fair value reserve are classified as equity, only the associated Participating life fund's unallocated surplus and fair value reserve are included in the above presentation.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

16. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivatives

The table below shows the fair value of derivative financial instruments, recorded as liabilities together with their notional amounts. The notional amount, recorded gross, is the amount of the derivative's underlying asset and is the basis upon which changes in the value of derivatives are measured.

	Notional amount RM'000	Asset RM'000	Liability RM'000	Net carrying amount RM'000
30 June 2015				
Hedging derivative:				
Forward foreign exchange contract	<u>138,641</u>	<u>-</u>	<u>1,621</u>	<u>1,621</u>
31 December 2014				
Hedging derivative:				
Forward foreign exchange contract	<u>108,386</u>	<u>-</u>	<u>700</u>	<u>700</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

17. FINANCIAL INSTRUMENTS

Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- i) Available-for-sale (“AFS”);
- ii) Fair value through profit or loss - designated upon initial recognition (“FVTPL”);
- iii) Loans and receivables excluding prepayments (“LAR”); and
- iv) Other financial liabilities measured at amortised cost (“OL”).

	AFS RM'000	FVTPL RM'000	LAR RM'000	OL RM'000	Total RM'000
30 June 2015					
Financial assets					
AFS financial assets	2,682,631	-	-	-	2,682,631
Financial assets at FVTPL	-	1,023,738	-	-	1,023,738
Loans and receivables	-	-	454,710	-	454,710
Insurance receivables	-	-	24,083	-	24,083
Cash and cash equivalents	-	-	63,863	-	63,863
	<u>2,682,631</u>	<u>1,023,738</u>	<u>542,656</u>	<u>-</u>	<u>4,249,025</u>
Financial liabilities					
Financial liabilities at FVTPL	-	1,621	-	-	1,621
Insurance payables	-	-	-	407,060	407,060
Other payables	-	-	-	133,161	133,161
	<u>-</u>	<u>1,621</u>	<u>-</u>	<u>540,221</u>	<u>541,842</u>
31 December 2014					
Financial assets					
AFS financial assets	2,617,360	-	-	-	2,617,360
Financial assets at FVTPL	-	950,579	-	-	950,579
Loans and receivables	-	-	457,863	-	457,863
Insurance receivables	-	-	23,608	-	23,608
Cash and cash equivalents	-	-	56,403	-	56,403
	<u>2,617,360</u>	<u>950,579</u>	<u>537,874</u>	<u>-</u>	<u>4,105,813</u>
Financial liabilities					
Financial liabilities at FVTPL	-	700	-	-	700
Insurance payables	-	-	-	396,502	396,502
Other payables	-	-	-	63,760	63,760
	<u>-</u>	<u>700</u>	<u>-</u>	<u>460,262</u>	<u>460,962</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY

a) Freehold properties and investment properties

The fair value of the Company's freehold properties and investment properties is determined based on the income method conducted by an independent qualified valuer.

Under the income method, the market value of the properties is determined based on the net annual income which is derived by deducting the annual outgoings from the gross annual income and capitalising the net income by a suitable rate of return consistent with the type and quality of the investment.

Fair value hierarchy

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:-

Level 1 – Fair value is derived from unadjusted quoted price in active markets for identical properties that the entity can access at the measurement date.

Level 2 – Fair value is estimated using inputs that are observable for the properties, either directly or indirectly.

Level 3 – Fair value is estimated using unobservable inputs for the properties.

The fair value of freehold properties and investment properties are classified within Level 2 of the fair value hierarchy. The fair value of the properties are as follows:

	Freehold properties		Investment properties	
	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000	As at 30.06.2015 RM'000	As at 31.12.2014 RM'000
Carrying amount*	10,126	9,975	50,395	49,177
Fair value as stated in valuation report**	9,935	9,935	49,177	49,177
Last recognised revalued amount	9,243	9,243	49,177	49,177

* Includes additional refurbishment costs capitalised during the period.

** Based on the valuation conducted by an independent qualified valuer as at 31 December 2014.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY

b) Financial assets and financial liabilities

(i) Determination of fair values

The fair values of the Company's financial assets and financial liabilities are determined as follows:

- (i) The carrying amounts of financial assets and financial liabilities, such as loans and receivables, insurance receivables, cash and bank balances, insurance payables and other payables, are reasonable approximations of their fair values due to the relatively short term maturity of these balances;
- (ii) The fair values of quoted equities are based on quoted market prices as at the reporting date;
- (iii) The fair values of Malaysian Government Securities, Government Investment Issues and unquoted corporate debt securities are based on indicative market prices;
- (iv) The fair values of negotiable instruments of deposit are calculated using the discounted cash flow method based on the maturity of the instruments at discount rates representing the average market rates quoted by at least two licensed banks;
- (v) The fair values of investments in mutual funds, unit trust funds and real estate investment trusts are valued based on the net asset values of the underlying funds as at the reporting date.
- (vi) The fair values of foreign exchange forward contracts are based on valuations provided by the financial institutions making reference to quoted market prices.

(ii) Fair value hierarchy

The Company categorises its fair value measurements according to a three-level hierarchy. The hierarchy prioritises the inputs used by the Company's valuation techniques for determining the fair value of the financial instruments.

A level is assigned to each fair value measurement based on the lowest level input significant to the fair value measurement in its entirety. The three-level hierarchy is defined as follows:

Level 1 – Fair value measurements that reflect unadjusted, quoted prices in active markets for identical assets and liabilities that the Company has the ability to access at the measurement date. Valuations are based on quoted prices reflecting market transactions involving assets or liabilities identical to those being measured.

Level 2 – Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs that are observable that are not prices (such as interest rates, credit risks, etc) and inputs that are derived from or corroborated by observable market data.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)****b) Financial assets and financial liabilities (continued)****(ii) Fair value hierarchy (continued)**

Level 3 –Fair value measurements using significant non market observable inputs. These include valuations for assets and liabilities that are derived using data, some or all of which is not market observable, including assumptions about risk.

In determining the fair value of its financial instruments, the Company uses observable market data, when available, and minimises the use of unobservable inputs to the extent possible when determining fair value.

The following table presents the Company's financial assets and liabilities that are carried at fair value as at reporting date.

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
30 June 2015				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	681,557	681,557	-	-
Unit trust funds	267,662	267,662	-	-
Malaysian Government Securities	615,870	-	615,870	-
Government Investment Issues	137,049	-	137,049	-
Corporate debt securities				
- Unquoted	962,029	-	962,029	-
Accrued interest	16,520	-	16,520	-
	<u>2,680,687</u>	<u>949,219</u>	<u>1,731,468</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	347,761	347,761	-	-
- Quoted outside Malaysia	4,714	4,714	-	-
Unit trust funds	1,079	1,079	-	-
Malaysian Government Securities	54,249	-	54,249	-
Government Investment Issues	9,340	-	9,340	-
Corporate debt securities				
- Unquoted	198,314	-	198,314	-
Mutual funds				
- Quoted outside Malaysia	405,828	405,828	-	-
Derivatives				
- Forward foreign exchange contract	76	-	76	-
Accrued interest	2,377	-	2,377	-
	<u>1,023,738</u>	<u>759,382</u>	<u>264,356</u>	<u>-</u>
Financial liabilities at FVTPL				
Derivatives				
- Forward foreign exchange contract	1,621	-	1,621	-

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(CONTINUED)****18. DETERMINATION OF FAIR VALUES AND FAIR VALUE HIERARCHY (CONTINUED)****b) Financial assets and financial liabilities (continued)****(ii) Fair value hierarchy (continued)**

The following table presents the Company's financial assets and liabilities that are carried at fair value as at reporting date (continued)

	Carrying amount RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
31 December 2014				
AFS financial assets				
Equity securities				
- Quoted in Malaysia	688,748	688,748	-	-
Unit trust funds	231,112	231,112	-	-
Malaysian Government Securities	638,011	-	638,011	-
Government Investment Issues	166,109	-	166,109	-
Corporate debt securities				
- Unquoted	875,291	-	875,291	-
Accrued interest	16,145	-	16,145	-
	<u>2,615,416</u>	<u>919,860</u>	<u>1,695,556</u>	<u>-</u>
Financial assets at FVTPL				
Equity securities				
- Quoted in Malaysia	287,743	287,743	-	-
- Quoted outside Malaysia	4,153	4,153	-	-
Unit trust funds	486	486	-	-
Malaysian Government Securities	67,133	-	67,133	-
Government Investment Issues	18,541	-	18,541	-
Corporate debt securities				
- Unquoted	195,545	-	195,545	-
Mutual funds				
- Quoted outside Malaysia	374,566	374,566	-	-
Accrued interest	2,412	-	2,412	-
	<u>950,579</u>	<u>666,948</u>	<u>283,631</u>	<u>-</u>
Financial liabilities at FVTPL				
Derivatives				
- Forward foreign exchange contract	700	-	700	-

There were no transfers between Level 1 and Level 2 fair value measurements during the period, and no transfers into or out of Level 3 fair value measurements during the six months period ended 30 June 2015.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

19. TOTAL CAPITAL ASSETS

The capital structure of the Company as prescribed under the Risk-Based Capital Framework is as below:

	As at 30.06.2015	As at 31.12.2014
	RM'000	RM'000
Eligible Tier 1 Capital		
Share capital (paid-up)	150,000	150,000
Retained earnings of the Company*	175,304	175,779
Eligible contract liabilities	834,277	848,285
	<u>1,159,581</u>	<u>1,174,064</u>
Eligible Tier 2 Capital		
Eligible reserves	61,174	66,775
Intangible asset	(33,146)	(35,122)
Total Capital Available	<u>1,187,609</u>	<u>1,205,717</u>

* Only distributable retained earnings of the Company are included in the determination of Total Capital Available.

20. CAPITAL AND OTHER COMMITMENTS

	As at 30.06.2015	As at 31.12.2014
	RM'000	RM'000
Capital expenditure commitments		
Property and equipment		
- Authorised but not provided for	<u>1,000</u>	<u>1,398</u>
Other commitments		
Exclusive bancassurance agreement		
- Authorised but not provided for	<u>24,000</u>	<u>25,500</u>

The Company is committed to pay annual fees under the terms of the bancassurance agreement. The annual fees will be expenses off to the profit or loss in the year of settlement.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

21. INSURANCE FUNDS

The Company's activities are organised by funds and segregated into Life fund, Investment-linked funds and Shareholders' fund in accordance with the Financial Services Act 2013.

The Company's unaudited condensed statement of financial position and statement of profit or loss have been further analysed by funds as follows:

Interim Statement of Financial Position by Funds as at 30 June 2015

	Insurance Funds				Total
	Shareholders' Fund	Life Fund	Investment -linked funds	Elimination	
Assets	RM'000	RM'000	RM'000	RM'000	RM'000
Property and equipment	-	20,283	-	-	20,283
Investment properties	-	50,395	-	-	50,395
Intangible assets	33,147	937	-	-	34,084
Loans and receivables	145,067	323,096	128,354	(139,344)	457,173
Available-for-sale financial assets	267,613	2,423,332	-	(8,314)	2,682,631
Financial assets at fair value through profit or loss	-	182,795	840,943	-	1,023,738
Reinsurance assets	-	4,201	-	-	4,201
Current tax assets	909	8,290	(2,476)	-	6,723
Insurance receivables	-	24,083	-	-	24,083
Cash and cash equivalents	11,803	48,220	3,840	-	63,863
Total assets	458,539	3,085,632	970,661	(147,658)	4,367,174
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	260,164	-	-	-	260,164
Other reserve	16,670	-	-	(1,548)	15,122
Total equity	426,834	-	-	(1,548)	425,286
Insurance contract liabilities	6,139	2,408,307	901,400	(6,250)	3,309,596
Insurance claim liabilities	-	55,854	-	-	55,854
Financial liabilities at fair value through profit or loss	-	-	1,621	-	1,621
Deferred tax liabilities	25,000	5,178	4,934	(516)	34,596
Insurance payables	-	407,060	-	-	407,060
Other payables	566	209,233	62,706	(139,344)	133,161
Total liabilities	31,705	3,085,632	970,661	(146,110)	3,941,888
Total equity, policyholders' funds and liabilities	458,539	3,085,632	970,661	(147,658)	4,367,174

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

21. INSURANCE FUNDS (CONTINUED)

Interim Statement of Financial Position by Funds as at 31 December 2014

	Shareholders' fund	Insurance funds		Elimination	Total
		Life fund	Investment-linked funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
Assets					
Property and equipment	-	20,581	-	-	20,581
Investment properties	-	49,177	-	-	49,177
Intangible assets	35,121	1,079	-	-	36,200
Loans and receivables	174,783	319,269	136,565	(171,367)	459,250
Available-for-sale financial assets	220,134	2,408,048	-	(10,822)	2,617,360
Financial assets at fair value through profit or loss	-	201,535	749,044	-	950,579
Reinsurance assets	-	2,644	-	-	2,644
Current tax asset	2,237	3,623	(3,648)	-	2,212
Insurance receivables	-	23,608	-	-	23,608
Cash and cash equivalents	4,087	49,891	2,425	-	56,403
Total assets	436,362	3,079,455	884,386	(182,189)	4,218,014
Equity, Policyholders' Funds and Liabilities					
Share capital	150,000	-	-	-	150,000
Retained earnings	247,497	-	-	-	247,497
Other reserves	13,047	-	-	(1,554)	11,493
Total equity	410,544	-	-	(1,554)	408,990
Insurance contract liabilities	-	2,411,299	869,552	(8,750)	3,272,101
Insurance claims liabilities	-	42,385	-	-	42,385
Financial liabilities at fair value through profit or loss	-	-	700	-	700
Deferred tax liabilities	24,498	5,698	3,898	(518)	33,576
Insurance payables	-	396,502	-	-	396,502
Other payables	1,320	223,571	10,236	(171,367)	63,760
Total equity, policyholders' funds and liabilities	436,362	3,079,455	884,386	(182,189)	4,218,014

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
(CONTINUED)****21. INSURANCE FUNDS (CONTINUED)****Statement of Profit or Loss by Funds for the six months period ended 30 June 2015**

	Shareholders' fund	Insurance funds		Elimination	Total
		Life fund	Investment- linked funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
Premium income					
Gross premiums	-	214,001	115,981	-	329,982
Premiums ceded to reinsurers	-	(6,410)	-	-	(6,410)
Net premiums	-	207,591	115,981	-	323,572
Investment income	4,665	60,439	9,941	-	75,045
Net realised gains	1,029	16,034	-	(853)	16,210
Net fair value gains	-	(11,404)	(23,206)	-	(34,610)
Fee income	-	6,395	-	(4,674)	1,721
Other operating income	-	33	802	-	835
Total revenue	5,694	279,088	103,518	(5,527)	382,773
Gross benefits and claims paid	-	(190,798)	(87,102)	3,353	(274,547)
Claims ceded to reinsurers	-	2,620	-	-	2,620
Gross change in contract liabilities	-	452	(31,848)	(2,500)	(33,896)
Net claims	-	(187,726)	(118,950)	853	(305,823)
Fee and commission expenses	-	(27,817)	-	-	(27,817)
Investment expenses	(260)	(3,863)	-	-	(4,123)
Management expenses	(4,705)	(39,119)	(5,749)	4,674	(44,899)
Other income/(expenses)	(37)	(3,855)	21,181	-	17,289
Other expenses	(5,002)	(74,654)	15,432	4,674	(59,550)
Profit from operations	692	16,708	-	-	17,400
Transfer from/(to) revenue account	16,708	(16,708)	-	-	-
Profit before taxation	17,400	-	-	-	17,400
Taxation	(4,733)	-	-	-	(4,733)
Net profit for the financial period	12,667	-	-	-	12,667

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

21. INSURANCE FUNDS (CONTINUED)

Statement of Profit or Loss by Funds for the six months period ended 30 June 2014

	Shareholders' fund	Insurance funds		Elimination	Total
		Life fund	Investment- linked funds		
	RM'000	RM'000	RM'000	RM'000	RM'000
Premium income					
Gross premiums	-	215,901	159,725	-	375,626
Premiums ceded to reinsurers	-	(4,897)	-	-	(4,897)
Net premiums	-	211,004	159,725	-	370,729
Investment income	3,827	61,665	8,528	-	74,020
Net realised gains	635	31,460	-	-	32,095
Net fair value gains	-	167	29,956	-	30,123
Fee income	23	5,278	-	(4,007)	1,294
Other operating income	-	39	802	-	841
Total revenue	4,485	309,613	199,011	(4,007)	509,102
Gross benefits and claims paid	-	(165,134)	(60,554)	-	(225,688)
Claims ceded to reinsurers	-	2,601	-	-	2,601
Gross change in contract liabilities	-	(50,526)	(128,713)	-	(179,239)
Net claims	-	(213,059)	(189,267)	-	(402,326)
Fee and commission expenses	-	(33,850)	-	-	(33,850)
Investment expenses	(214)	(3,988)	-	-	(4,202)
Management expenses	(3,331)	(38,377)	(5,098)	4,007	(42,799)
Other income/(expenses)	(30)	(6,231)	(4,646)	-	(10,907)
Other expenses	(3,575)	(82,446)	(9,744)	4,007	(91,758)
Profit from operations	910	14,108	-	-	15,018
Transfer from/(to) revenue account	14,108	(14,108)	-	-	-
Profit before taxation	15,018	-	-	-	15,018
Taxation	(3,842)	-	-	-	(3,842)
Net profit for the financial period	11,176	-	-	-	11,176

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (CONTINUED)

21. INSURANCE FUNDS (CONTINUED)

Information on cash flows by Funds

	Shareholders' fund	Insurance funds		Total
		Life fund	Investment- linked funds	
	RM'000	RM'000	RM'000	RM'000
30 June 2015				
Cash flows from:				
Operating activities	7,716	(545)	1,415	8,586
Investing activities	-	(1,126)	-	(1,126)
Net increase/(decrease) in cash and cash equivalents	7,716	(1,671)	1,415	7,460
At beginning of financial year	4,087	49,891	2,425	56,403
At end of financial period	11,803	48,220	3,840	63,863
30 June 2014				
Cash flows from:				
Operating activities	165	27,915	478	28,558
Investing activities	-	(13,766)	-	(13,766)
Net increase in cash and cash equivalents	165	14,149	478	14,792
At beginning of financial year	8,143	21,877	4,384	34,404
At end of financial period	8,308	36,026	4,862	49,196