

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

(Company No. 104248-X)

(Incorporated in Malaysia)

Unaudited Condensed Interim Financial Statements
for the six months period ended 30 June 2019

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(Company No. 104248- X)
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**Condensed statement of financial position
as at 30 June 2019 - unaudited**

	Note	30.06.2019 RM'000	31.12.2018 RM'000
Assets			
Property, plant and equipment	6	22,076	32,249
Investment properties		3,840	3,840
Right-of-use assets		29,877	-
Intangible asset		26,673	27,646
Investments		11,244,822	10,126,913
Derivative financial assets		53,118	26,059
Reinsurance assets	7	71,387	66,579
Insurance receivables		127,374	80,703
Other receivables, deposits and prepayments		65,185	45,779
Cash and cash equivalents		745,812	740,079
Total assets		<u>12,390,164</u>	<u>11,149,847</u>
Equity, policyholders' funds and liabilities			
Share capital		236,600	236,600
Fair value reserve		5,076	1,294
Revaluation reserve		2,522	2,522
Retained earnings		897,998	811,212
Total equity		<u>1,142,196</u>	<u>1,051,628</u>
Insurance contract liabilities	7	10,237,669	9,284,255
Deferred tax liabilities		308,177	240,915
Derivative financial liabilities		2,082	2,413
Subordinated loan		54,300	54,300
Insurance payables		201,275	231,422
Other payables and accruals		423,236	284,245
Lease liabilities		20,943	-
Current tax liabilities		286	669
Total policyholders' funds and liabilities		<u>11,247,968</u>	<u>10,098,219</u>
Total equity, policyholders' funds and liabilities		<u>12,390,164</u>	<u>11,149,847</u>

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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**Condensed statement of profit or loss
for the six months period ended 30 June 2019 - unaudited**

	Six months ended 30.06.2019 RM'000	Six months ended 30.06.2018 RM'000
Operating revenue	<u>1,556,433</u>	<u>1,399,107</u>
Gross earned premiums	1,317,134	1,180,192
Premiums ceded to reinsurers	<u>(32,791)</u>	<u>(50,397)</u>
Net earned premiums	<u>1,284,343</u>	<u>1,129,795</u>
Investment income	239,299	218,915
Realised gains	(22,230)	38,704
Fair value gains and losses	323,939	(289,836)
Other operating income	<u>17,538</u>	<u>10,761</u>
Other revenue	<u>558,546</u>	<u>(21,456)</u>
Gross benefits and claims paid	(643,416)	(560,152)
Claims ceded to reinsurers	40,103	27,382
Gross change in contract liabilities	(729,236)	(158,994)
Change in contract liabilities ceded to reinsurers	<u>(126)</u>	<u>(2,178)</u>
Net benefits and claims	<u>(1,332,675)</u>	<u>(693,942)</u>
Fee and commission expense	(225,853)	(209,789)
Management expenses	(110,621)	(107,917)
Interest expenses	(1,654)	(1,232)
Other operating expenses	<u>(19,169)</u>	<u>(16,722)</u>
Other expenses	<u>(357,297)</u>	<u>(335,660)</u>
Profit before tax	152,917	78,737
Tax expense	<u>(66,131)</u>	<u>(20,754)</u>
Net profit for the period	<u>86,786</u>	<u>57,983</u>

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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**Condensed statement of profit or loss and other comprehensive income
for the six months period ended 30 June 2019 - unaudited**

	Six months ended 30.06.2019 RM'000	Six months ended 30.06.2018 RM'000
Net profit for the period attributable to owners of the Company	86,786	57,983
Other comprehensive income, net of tax Items that may be reclassified subsequently to profit or loss		
Fair value of available-for-sale financial assets		
- Net gains/(losses) arising during the financial period	172,746	(90,848)
- Net realised gains transferred to profit or loss	(4,236)	(23,089)
Gain on cash flow hedge	17,812	(516)
Tax effects thereon	(15,689)	9,311
Change in insurance contract liabilities arising from net fair value change on:		
- AFS financial assets	(163,548)	112,920
- Cash flow hedge reserve	(17,812)	516
Tax effects thereon	14,509	(9,075)
Total other comprehensive income/(loss) for the period, net of tax	<u>3,782</u>	<u>(781)</u>
Total comprehensive income for the period attributable to owners of the Company	<u><u>90,568</u></u>	<u><u>57,202</u></u>

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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**Condensed statement of changes in equity
for the six months period ended 30 June 2019 - unaudited**

	←————— Non-distributable —————→			—————→	← Distributable —→	
	Share capital	Fair value reserve	Revaluation reserve	Retained earnings - Life non-participating fund surplus*	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018	236,600	511	2,522	611,845	51,546	903,024
Total other comprehensive loss for the period	-	(781)	-	-	-	(781)
Profit/(loss) for the period	-	-	-	62,002	(4,019)	57,983
Total comprehensive income/(loss) for the period	-	(781)	-	62,002	(4,019)	57,202
At 30 June 2018	<u>236,600</u>	<u>(270)</u>	<u>2,522</u>	<u>673,847</u>	<u>47,527</u>	<u>960,226</u>
At 1 January 2019	236,600	1,294	2,522	752,903	58,309	1,051,628
Total other comprehensive profit for the period	-	3,782	-	-	-	3,782
Profit/(loss) for the period	-	-	-	91,274	(4,488)	86,786
Total comprehensive income/(loss) for the period	-	3,782	-	91,274	(4,488)	90,568
At 30 June 2019	<u>236,600</u>	<u>5,076</u>	<u>2,522</u>	<u>844,177</u>	<u>53,821</u>	<u>1,142,196</u>

* Non-distributable retained earnings comprise of non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the Company.

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

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**Condensed statement of cash flows
for the six months period ended 30 June 2019 - unaudited**

	Six months ended 30.06.2019 RM'000	Six months ended 30.06.2018 RM'000
Cash flows from operating activities		
Profit before tax	152,917	78,737
<i>Adjustments for:</i>		
Investment income	(239,299)	(218,915)
Interest Income	(312)	-
Interest expense	1,654	1,232
Realised losses/(gains) recorded in profit or loss	22,230	(38,704)
Fair value (gains)/losses on investments recorded in profit or loss	(327,214)	249,249
Purchases of financial investments	(1,118,832)	(1,035,202)
Maturity of financial investments	151,000	120,000
Proceeds from sale of financial investments	515,916	435,187
Change in loans and receivables (LAR)	(194,552)	(11,030)
Impairment loss on receivables / (reversal)	436	(776)
Amortisation of intangible assets	3,183	2,755
Depreciation of property, plant and equipment	2,594	2,472
Depreciation of right-of-use assets	2,595	-
Loss on disposal of property, plant and equipment	-	1
Property, plant and equipment written off	121	7
Unrealised foreign exchange (gains)/losses	(337)	1,053
Impairment loss on AFS financial investments	3,275	40,587
Operating loss before changes in working capital	(1,024,625)	(373,347)
Changes in working capital:		
Change in reinsurance assets	(4,809)	2,178
Change in insurance receivables	(46,949)	(39,824)
Change in other receivables, deposits and prepayments	(17,419)	(11,507)
Change in insurance contract liabilities	786,563	212,615
Change in insurance payables	(30,147)	3,639
Change in other payables	117,090	(3,733)
Cash used in operations	(220,296)	(209,979)

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**Condensed statement of cash flows
for the six months period ended 30 June 2019 - unaudited
(continued)**

	Six months ended 30.06.2019 RM'000	Six months ended 30.06.2018 RM'000
Cash flows from operating activities (continued)		
Tax paid	(14,942)	(15,046)
Dividends received	27,869	29,549
Interest received	218,207	185,108
Other income received	2,772	3,133
Rental income on investment properties received	60	65
Interest paid	(422)	-
Net cash generated/(used in) from operating activities	13,248	(7,170)
Cash flows from investing activities		
Acquisition of property, plant and equipment	(3,367)	(3,813)
Acquisition of intangible assets	(569)	(396)
Net cash used in investing activities	(3,936)	(4,209)
Cash flows from financing activities		
Payment of lease liabilities	(2,347)	-
Payment of loan interest to holding company	(1,232)	(1,232)
Net cash used in financing activities	(3,579)	(1,232)
Net increase in cash and cash equivalents	5,733	(12,611)
Cash and cash equivalents at 1 January	740,079	677,759
Cash and cash equivalents at 30 June	745,812	665,148
Cash and cash equivalents comprise:		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	671,202	657,535
Cash and bank balances	74,610	7,613
	745,812	665,148

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Notes to the condensed interim financial statements**1) Basis of preparation**

These condensed interim financial statements of the Company as at and for the financial period ended 30 June 2019 have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and International Accounting Standard ("IAS") 34: Interim Financial Reporting.

The Report does not include all information required for disclosure in the annual financial statements, and should be read in conjunction with the audited financial statements of the Company as at and for the financial year ended 31 December 2018.

2) Significant accounting policies

The accounting policies adopted by the Company for the condensed interim financial statements are consistent with those adopted in the Company's audited financial statements for the financial year ended 31 December 2018, except for the adoption of the following:

MFRSs/ Amendments/ Interpretation	Effective date
MFRS 16, <i>Leases</i>	1 January 2019
IC Interpretation 23, <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 3, <i>Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 11, <i>Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 112, <i>Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 123, <i>Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)</i>	1 January 2019
Amendments to MFRS 128, <i>Investments In Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 119, <i>Employee Benefits - Plan Amendment, Curtailment or Settlement</i>	1 January 2019

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Company adopted MFRS 16 using the modified retrospective approach and measured the right-of-use assets equals to the lease liabilities as at 1 January 2019 with no restatement of comparative information. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Company's incremental borrowing rates as at 1 January 2019.

The Company has applied the following practical expedients permitted by MFRS 16:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The adoption of MFRS 16, Leases has resulted in changes in the Company's accounting policies. The effects arising from these changes on the statement of financial position of the Company are as follow:

	31 December 2018 RM'000	Effects on adoption of MFRS 16 RM'000	1 January 2019 RM'000
Assets			
Property, plant and equipment	32,249	(9,253)	22,996
Right-of-use assets	-	26,842	26,842
Liabilities			
Lease liabilities	-	17,589	17,589

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2) Significant accounting policies (continued)**MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

The Company has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence, the Company has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contract (continued)

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance contracts standard.

The amendments provide 2 different approaches for the Company:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018 and may start applying the overlay approach when it applies MFRS 9 for the first time.

The Company's business activity is predominantly insurance as the liabilities connected with the Company's insurance businesses made up of more than 90% of the Company's total liabilities. Hence, the Company qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17 for the financial year beginning on or after 1 January 2021.

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Company's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

	Financial assets with SPPI cash flow RM'000	All other financial assets RM'000	Total* RM'000
Fair value as at 30 June 2019			
Investments	2,897,636	8,256,676	11,154,312
Malaysian government securities and government guaranteed bonds	2,192,630	3,017,306	5,209,936
Unquoted bonds of corporations	108,390	3,311,698	3,420,088
Quoted equity securities and unit trusts	-	1,792,857	1,792,857
Unquoted equity securities and unit trusts	-	41,057	41,057
Structured deposits	-	93,758	93,758
Government guaranteed loan	190,480	-	190,480
Fixed and call deposits with licensed banks	406,136	-	406,136
Derivative financial assets	-	53,118	53,118
Other receivables, deposits and prepayments	65,185	-	65,185
Cash and cash equivalents	745,812	-	745,812
	<u>3,708,633</u>	<u>8,309,794</u>	<u>12,018,427</u>

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2) Significant accounting policies (continued)**Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contract* (continued)**

	Financial assets with SPPI cash flow RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
Investments			
Malaysian government securities and government guaranteed bonds	139,112	131,239	270,351
Unquoted bonds of corporations	2,339	85,873	88,212
Quoted equity securities and unit trusts	-	126,082	126,082
Unquoted equity securities and unit trusts	-	1,419	1,419
Structured deposits	-	232	232
Government guaranteed loan	-	-	-
Mortgage loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	27,242	27,242
Other receivables, deposits and prepayments	-	-	-
Cash and cash equivalents	-	-	-
	<u>141,451</u>	<u>372,087</u>	<u>513,538</u>

* Insurance receivables, reinsurance assets, policy loans and automatic premium loans have been excluded from the above assessment as they will be under the scope of MFRS 17, *Insurance Contracts*. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

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2) Significant accounting policies (continued)**Amendments to MFRS 4 - Applying MFRS 9, Financial Instruments with MFRS 4, Insurance Contract (continued)****Financial assets with SPPI cash flows***

	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Total RM'000
Gross carrying amounts under MFRS 139 by credit risk rating grades								
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	2,192,630	-	2,192,630
Unquoted bonds of corporations	76,857	31,533	-	-	-	-	-	108,390
Government guaranteed loan	-	-	-	-	-	190,480	-	190,480
Fixed and call deposits with licensed banks	162,098	116,535	-	-	-	-	127,503	406,136
Other receivables and deposits	-	-	-	-	-	65,183	2	65,185
Cash and cash equivalents	241,881	349,635	491	-	-	161	153,644	745,812
Total financial assets*	480,836	497,703	491	-	-	2,448,454	281,149	3,708,633

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Company for the first time for the financial year beginning on or after 1 January 2019 did not have any material impact on the current and/or prior periods.

3) Items of an unusual nature

The results of the Company 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 2019.

5) Seasonal or Cyclical Factors

The operations of the Company for the financial period under review were not significantly affected by seasonality or cyclical factors.

6) Property, Plant and Equipment

The Company's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. There were no changes in the valuation of property, plant and equipment that were brought forward from the Company's audited financial statement for the year ended 31 December 2018.

7. Insurance contract liabilities

	30.06.2019			31.12.2018		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	7,801,185	(33,978)	7,767,207	7,192,870	(34,104)	7,158,766
Unallocated surplus	57,736	-	57,736	133,696	-	133,696
Hedging reserve	16,388	-	16,388	-	-	-
Available-for-sale fair value reserve	198,419	-	198,419	47,954	-	47,954
Net asset value attributable to unitholders	1,634,352	-	1,634,352	1,437,472	-	1,437,472
Revaluation reserve	5,980	-	5,980	5,980	-	5,980
Benefits and claims liabilities	523,609	(37,409)	486,200	466,283	(32,475)	433,808
	<u>10,237,669</u>	<u>(71,387)</u>	<u>10,166,282</u>	<u>9,284,255</u>	<u>(66,579)</u>	<u>9,217,676</u>

7. Insurance contract liabilities (continued)

	← Gross →			← Reinsurance →			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2018	4,090,463	4,735,711	8,826,174	(365)	(64,986)	(65,351)	8,760,823
Premiums received	130,702	2,252,835	2,383,537	(7,240)	(92,954)	(100,194)	2,283,343
Liabilities paid for death, maturities, surrenders, benefits and claims	(333,706)	(862,011)	(1,195,717)	2,337	79,260	81,597	(1,114,120)
Benefits and claims experience variation	(43,010)	(124,010)	(167,020)	4,903	18,116	23,019	(144,001)
Fees deducted	(9,632)	(602,874)	(612,506)	-	(846)	(846)	(613,352)
Expected interest on reserve/net investment income attributable to Universal Life Fund	150,427	43,688	194,115	-	(836)	(836)	193,279
Adjustments due to changes in assumptions	(40,071)	(8,615)	(48,686)	-	15,920	15,920	(32,766)
Net asset value attributable to unitholders	-	(175,693)	(175,693)	-	-	-	(175,693)
Hedging reserve	3,220	-	3,220	-	-	-	3,220
Available-for-sale fair value reserve	(105,813)	-	(105,813)	-	-	-	(105,813)
Unallocated surplus	52,037	-	52,037	-	-	-	52,037
Deferred tax effects:							
- Hedging reserve	(258)	-	(258)	-	-	-	(258)
- Available-for-sale fair value reserve	8,465	-	8,465	-	-	-	8,465
Movements in benefits and claim liabilities	47,599	74,801	122,400	(75)	(19,813)	(19,888)	102,512
At 31 December 2018	3,950,423	5,333,832	9,284,255	(440)	(66,139)	(66,579)	9,217,676

7. Insurance contract liabilities (continued)

	← Gross →			← Reinsurance →			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2019	3,950,423	5,333,832	9,284,255	(440)	(66,139)	(66,579)	9,217,676
Premiums received	58,209	1,258,925	1,317,134	(2,361)	(30,430)	(32,791)	1,284,343
Liabilities paid for death, maturities, surrenders, benefits and claims	(153,670)	(489,662)	(643,332)	910	39,193	40,103	(603,229)
Benefits and claims experience variation	47,638	(48,323)	(686)	1,451	(7,143)	(5,692)	(6,377)
Fees deducted	(6,503)	(320,807)	(327,310)	-	(41)	(41)	(327,351)
Expected interest on reserve/net investment income attributable to Universal Life Fund	77,316	192,434	269,750	-	(500)	(500)	269,249
Adjustments due to changes in assumptions	85,304	30,002	115,307	-	(954)	(954)	114,353
Net asset value attributable to unitholders	-	74,333	74,333	-	-	-	74,333
Hedging reserve	17,813	-	17,813	-	-	-	17,813
Available-for sale fair value reserve	163,549	-	163,549	-	-	-	163,549
Unallocated surplus	(75,960)	-	(75,960)	-	-	-	(75,960)
Deferred tax effect:							
- Hedging reserve	(1,425)	-	(1,425)	-	-	-	(1,425)
- Available-for-sale fair value reserve	(13,084)	-	(13,084)	-	-	-	(13,084)
Movements in benefits and claim liabilities	30,514	26,812	57,326	136	(5,070)	(4,934)	52,392
At 30 June 2019	4,180,124	6,057,546	10,237,670	(304)	(71,084)	(71,388)	10,166,282

8. Changes in Company composition

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

9. Capital commitments

	30.06.2019	31.12.2018
	RM'000	RM'000
Property, plant and equipment: Contracted but not provided for	<u>663</u>	<u>1,138</u>

10. Related party transactions

Significant related party transactions are as follows:

	Transactions value	
	Six months ended	
	30 June	
	2019	2018
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	<u>(33,978)</u>	<u>(41,764)</u>

* Related companies are companies within the Allianz SE group.

11. Changes in contingent liabilities or contingent assets

The Company does not have contingent liabilities and contingent assets as the date of this report.

12. Debt and equity securities

There were no other issuance of shares, shares buy-back and repayment of debt and equity securities by the Company during the financial period under review.

13. Regulatory capital requirement

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

	30.06.2019	31.12.2018
	RM'000	RM'000
Tier 1 Capital		
Paid up share capital	236,600	236,600
Eligible reserves, including retained earnings	<u>1,605,576</u>	<u>1,694,904</u>
	<u>1,842,176</u>	<u>1,931,504</u>
Tier 2 Capital		
Eligible reserves	46,211	57,751
Subordinated loan	<u>49,924</u>	<u>44,393</u>
	<u>96,135</u>	<u>102,144</u>
Amount deducted from capital	<u>(35,563)</u>	<u>(36,872)</u>
Total capital available	<u><u>1,902,748</u></u>	<u><u>1,996,776</u></u>

14. Subsequent events

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

15. Dividend paid

No dividend has been proposed or declared for the financial period under review (2018: nil).

16. Insurance funds

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

The Company's statement of financial position and statement of profit or loss have been further analysed by funds.

The life insurance business offers a wide range of participating and non-participating Whole Life, Term Assurance, Endowment, as well as Investment-linked products.

**Condensed statement of financial position by funds
as at 30 June 2019 - unaudited**

	Shareholders' Funds		Life Fund		Total	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets						
Property, plant and equipment	-	-	22,076	32,249	22,076	32,249
Investment properties	-	-	3,840	3,840	3,840	3,840
Intangible assets	20,450	22,723	6,223	4,923	26,673	27,646
Right-of-use assets	-	-	29,877	-	29,877	-
Investments	293,365	287,352	10,951,457	9,839,561	11,244,822	10,126,913
Derivative financial assets	-	-	53,118	26,059	53,118	26,059
Reinsurance assets	-	-	71,387	66,579	71,387	66,579
Insurance receivables	-	-	127,374	80,703	127,374	80,703
Other receivables, deposits and prepayments	29,765	39,581	35,420	28,102	65,185	45,779
Cash and cash equivalents	19,503	18,051	726,309	722,028	745,812	740,079
Total assets	363,083	367,707	12,027,081	10,804,044	12,390,164	11,149,847

16. Insurance funds (continued)

Condensed statement of financial position by funds
as at 30 June 2019 - unaudited (continued)

	Shareholders' Funds		Life Fund		Total	
	30.06.2019	31.12.2018	30.06.2019	31.12.2018	30.06.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Equity, policyholders' funds and liabilities						
Share capital	236,600	236,600	-	-	236,600	236,600
Fair value reserve	4,905	1,186	171	108	5,076	1,294
Asset revaluation reserve	-	-	2,522	2,522	2,522	2,522
Retained earnings	53,821	58,309	844,177	752,903	897,998	811,212
Total equity	295,326	296,095	846,870	755,533	1,142,196	1,051,628
Insurance contract liabilities	-	-	10,237,669	9,284,255	10,237,669	9,284,255
Deferred tax liabilities	1,583	437	306,594	240,478	308,177	240,915
Derivative financial liabilities	-	-	2,082	2,413	2,082	2,413
Subordinated loan	54,300	54,300	-	-	54,300	54,300
Insurance payables	5,727	3,437	195,548	227,985	201,275	231,422
Lease liabilities	-	-	20,943	-	20,943	-
Other payables and accruals	3,194	10,353	420,042	295,796	423,236	284,245
Current tax liabilities	2,953	3,085	(2,667)	(2,416)	286	669
Total policyholders' funds and liabilities	67,757	71,612	11,180,211	10,048,511	11,247,968	10,098,219
Total equity, policyholders' funds and liabilities	363,083	367,707	12,027,081	10,804,044	12,390,164	11,149,847

16. Insurance funds (continued)**Interim statement of profit or loss by funds
for the six months period ended 30 June - unaudited**

	Shareholders' Funds		Life Fund		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Operating revenue	6,341	6,277	1,550,092	1,392,830	1,556,433	1,399,107
Gross earned premiums	-	-	1,317,134	1,180,192	1,317,134	1,180,192
Premiums ceded to reinsurers	-	-	(32,791)	(50,397)	(32,791)	(50,397)
Net earned premiums	-	-	1,284,343	1,129,795	1,284,343	1,129,795
Investment income	6,341	6,277	232,958	212,638	239,299	218,915
Realised gains	1,119	-	(23,349)	38,704	(22,230)	38,704
Fair value gains and losses	-	-	323,939	(289,836)	323,939	(289,836)
Other operating income	4,509	266	13,029	10,495	17,538	10,761
Other revenue	11,969	6,543	546,577	(27,999)	558,546	(21,456)
Gross benefits and claims paid	(84)	-	(643,332)	(560,152)	(643,416)	(560,152)
Claims ceded to reinsurers	-	-	40,103	27,382	40,103	27,382
Gross change in contract liabilities	-	-	(729,236)	(158,994)	(729,236)	(158,994)
Change in contract liabilities ceded to reinsurers	-	-	(126)	(2,178)	(126)	(2,178)
Net benefits and claims	(84)	-	(1,332,591)	(693,942)	(1,332,675)	(693,942)
Fee and commission expense	(3,381)	(1,205)	(222,472)	(208,584)	(225,853)	(209,789)
Management expenses	(5,757)	(5,393)	(104,864)	(102,524)	(110,621)	(107,917)
Interest expenses	-	-	(1,654)	(1,232)	(1,654)	(1,232)
Other operating expenses	(6,224)	(3,209)	(12,945)	(13,513)	(19,169)	(16,722)
Other expenses	(15,362)	(9,807)	(341,935)	(325,853)	(357,297)	(335,660)
(Loss)/Profit before tax	(3,477)	(3,264)	156,394	82,001	152,917	78,737
Tax expense	(1,011)	(756)	(65,120)	(19,998)	(66,131)	(20,754)
Net (loss)/Profit after tax	(4,488)	(4,020)	91,274	62,003	86,786	57,983

16. Insurance funds (continued)**Investment-linked funds condensed statement of assets and liabilities
as at 30 June 2019 - unaudited**

	30.06.2019	31.12.2018
	RM'000	RM'000
Assets		
Investments	1,504,712	1,225,372
Interest and dividend receivables, and other receivables	42	8,594
Cash and cash equivalents	153,644	206,233
Total assets	<u>1,658,398</u>	<u>1,440,199</u>
Liabilities		
Deferred tax liabilities	3,185	253
Other payables	16,476	934
Benefits and claims liabilities	4,385	1,541
Total liabilities	<u>24,046</u>	<u>2,728</u>
Net asset value of funds (Note 7)	<u>1,634,352</u>	<u>1,437,471</u>

**Investment-linked funds condensed statement of income and expenditure
for the six months period ended 30 June - unaudited**

	2019	2018
	RM'000	RM'000
Investment income	27,461	24,338
Realised gains and losses	(21,396)	8,958
Fair value gains and losses	79,899	(146,451)
Other operating income	673	255
	<u>86,637</u>	<u>(112,900)</u>
Management expenses	(26)	(31)
Other operating expenses	(9,752)	(10,494)
Profit/(Loss) before tax	<u>76,859</u>	<u>(123,425)</u>
Tax expense/(income)	(2,526)	8,882
Net profit/(loss) for the period	<u>74,333</u>	<u>(114,543)</u>