

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(102249-P)
(A Member of Great Eastern Holdings Limited)

UNAUDITED INTERIM FINANCIAL STATEMENTS

FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
(Incorporated in Malaysia)

INTERIM BALANCE SHEET
AS AT 30 JUNE 2015

	Note	30.06.2015 RM	31.12.2014 RM
Assets			
Property and equipment		23,517,453	21,771,359
Goodwill		18,182,598	18,182,598
Investments	9	538,861,127	564,016,553
Malaysian government securities		93,220,467	90,945,887
Debt securities			
AFS financial assets		354,695,685	371,814,476
FVTPL financial assets		19,662,558	19,452,124
Equity securities			
AFS financial assets		35,956,723	35,808,725
Unit and property trust funds		2,108,947	2,291,913
Loans		21,816,747	21,673,428
Deposits with financial institutions		11,400,000	22,030,000
Reinsurance assets	10	226,234,880	235,452,940
Insurance receivables		84,601,044	53,207,799
Deferred tax assets		-	737,759
Other receivables		76,373,932	75,685,330
Cash and bank balances		26,090,273	26,575,581
Total assets		<u>993,861,307</u>	<u>995,629,919</u>
Equity			
Share capital		100,000,000	100,000,000
Retained earnings		232,695,320	229,349,851
Available for sale fair value reserves		3,383,912	(584,636)
Total equity		<u>336,079,232</u>	<u>328,765,215</u>
Liabilities			
Insurance contract liabilities	11	570,284,839	559,728,910
Deferred tax liabilities		509,491	-
Deposits from reinsurers		649,271	728,841
Insurance payables		41,834,888	54,381,884
Provision for taxation		11,658,503	12,406,378
Other payables		32,845,083	39,618,691
Total liabilities		<u>657,782,075</u>	<u>666,864,704</u>
Total equity and liabilities		<u>993,861,307</u>	<u>995,629,919</u>

The accompanying notes form an integral part of the financial statements.

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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INTERIM INCOME STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Note	6 months period ended 30.06.2015 RM	6 months period ended 30.06.2014 RM
Gross earned premiums		203,531,429	196,602,294
Premiums ceded to reinsurers		(63,217,859)	(60,920,896)
Net earned premiums		<u>140,313,570</u>	<u>135,681,398</u>
Investment income		13,417,470	12,737,039
Realised gains/(losses)		2,135,293	(149,232)
Fair value gains		358,424	1,441,197
Fee and commission income		18,410,124	17,443,171
Other operating revenue		824,186	408,851
Other revenue		<u>35,145,497</u>	<u>31,881,026</u>
Gross claims paid		(106,590,183)	(78,231,562)
Claims ceded to reinsurers		38,563,243	14,727,932
Gross change to contract liabilities		7,555,699	(27,872,689)
Change in contract liabilities ceded to reinsurers		(14,677,213)	16,115,271
Net claims		<u>(75,148,454)</u>	<u>(75,261,048)</u>
Fee and commission expense		(34,283,879)	(32,378,526)
Management expenses		(37,189,842)	(30,578,720)
Other operating expenses		(788)	(8,300)
Other expenses		<u>(71,474,509)</u>	<u>(62,965,546)</u>
Profit before taxation		28,836,104	29,335,830
Taxation	12	(6,490,635)	(6,954,194)
Net profit for the period		<u>22,345,469</u>	<u>22,381,636</u>
Earnings per share (sen)			
Basic and diluted	13	<u>22.35</u>	<u>22.38</u>

The accompanying notes form an integral part of the financial statements.

**INTERIM STATEMENT OF COMPREHENSIVE INCOME
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015**

	6 months period ended 30.06.2015 RM	6 months period ended 30.06.2014 RM
Net profit for the period	22,345,469	22,381,636
Other comprehensive income:		
<u>Items that may be reclassified to income statement in subsequent periods:</u>		
Available-for-sale fair value reserves:		
Gain on fair value changes	7,367,323	2,464,323
Realised gain transferred to income statement	(2,135,293)	(644,995)
	5,232,030	1,819,328
Tax effect	(1,263,482)	(454,833)
	<u>3,968,548</u>	<u>1,364,495</u>
Total comprehensive income for the period	<u>26,314,017</u>	<u>23,746,131</u>

The accompanying notes form an integral part of the financial statements.

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Non-distributable		Distributable	
	Share	Available-for-sale	Retained	Total equity
	capital	fair value reserves	earnings	RM
	RM	RM	RM	RM
At 1 January 2014	100,000,000	2,638,880	202,315,343	304,954,223
Total comprehensive income for the period	-	1,364,495	22,381,636	23,746,131
Dividend paid during the period	-	-	(30,000,000)	(30,000,000)
At 30 June 2014	<u>100,000,000</u>	<u>4,003,375</u>	<u>194,696,979</u>	<u>298,700,354</u>
At 1 January 2015	100,000,000	(584,636)	229,349,851	328,765,215
Total comprehensive income for the period	-	3,968,548	22,345,469	26,314,017
Dividend paid during the period	-	-	(19,000,000)	(19,000,000)
At 30 June 2015	<u>100,000,000</u>	<u>3,383,912</u>	<u>232,695,320</u>	<u>336,079,232</u>

The accompanying notes form an integral part of the financial statements.

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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INTERIM CASH FLOW STATEMENT
FOR THE 6 MONTHS PERIOD ENDED 30 JUNE 2015

	Note	6 months ended 30.06.2015 RM	6 months ended 30.06.2014 RM
Operating activities			
Cash generated from operating activities	14	5,375,920	5,638,765
Dividend income received		651,294	508,511
Interest income received		12,192,193	11,689,449
Rental income received		-	-
Income tax paid		<u>(7,254,742)</u>	<u>(7,120,269)</u>
Net cash flows generated from operating activities		<u>10,964,665</u>	<u>10,716,456</u>
Investing activities			
Proceeds from disposal of property and equipment		-	350
Purchase of property and equipment		<u>(3,079,973)</u>	<u>(2,481,099)</u>
Net cash flows used in investing activities		<u>(3,079,973)</u>	<u>(2,480,749)</u>
Financing activity			
Dividend paid		<u>(19,000,000)</u>	<u>(30,000,000)</u>
Net cash flows used in financing activity		<u>(19,000,000)</u>	<u>(30,000,000)</u>
Net decrease in cash and cash equivalents		(11,115,308)	(21,764,293)
Cash and cash equivalents at beginning of period		<u>48,605,581</u>	<u>64,620,114</u>
Cash and cash equivalents at end of period		<u>37,490,273</u>	<u>42,855,821</u>
Cash and cash equivalents comprise:			
Cash and bank balances		26,090,273	34,475,821
Deposits with financial institutions	9(a)	<u>11,400,000</u>	<u>8,380,000</u>
		<u>37,490,273</u>	<u>42,855,821</u>

The accompanying notes form an integral part of the financial statements.

OVERSEAS ASSURANCE CORPORATION (MALAYSIA) BERHAD
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NOTES TO THE INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015

1. BASIS OF PREPARATION

The interim financial statements of the Company are unaudited and have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting, International Accounting Standards ("IFRS") and the Companies Act 1965 in Malaysia. The interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's audited financial statements for the financial year ended 31 December 2014.

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

2. SEASONALITY OF OPERATIONS

The business and operations of the Company was not materially affected by any seasonal or cyclical fluctuations during the interim financial period.

3. UNUSUAL ITEMS

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

4. CHANGE IN ESTIMATES

There were no changes in the basis used for accounting estimates for the interim financial period.

5. DEBT AND EQUITY SECURITIES

There were no issuance, repurchase and repayment of debt and equity securities by the Company during the interim financial period.

6. DIVIDENDS

During the interim period ended 30 June 2015, the Company paid a final single-tier dividend of RM0.19 per ordinary shares on 100,000,000 ordinary shares, amounting to RM19,000,000 in respect of the financial year ended 31 December 2014.

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7. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE INTERIM PERIOD

There is no material event subsequent to the end of the interim reporting period that has not been reported in the interim financial statements.

8. CHANGES IN THE COMPOSITION OF THE COMPANY

There is no change in the composition of the Company during the interim financial period.

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9. INVESTMENTS

	30.06.2015	31.12.2014
	RM	RM
Malaysian government securities	93,220,467	90,945,887
Debt securities		
AFS financial assets	354,695,685	371,814,476
FVTPL financial assets	19,662,558	19,452,124
Equity securities		
AFS financial assets	35,956,723	35,808,725
Unit and property trust funds	2,108,947	2,291,913
Loans	21,816,747	21,673,428
Deposits with financial institutions	11,400,000	22,030,000
	<u>538,861,127</u>	<u>564,016,553</u>

The Company's investments are summarised by categories as follows:

	30.06.2015	31.12.2014
	RM	RM
LAR	33,216,747	43,703,428
AFS financial assets	485,981,822	500,861,001
FVTPL financial assets	19,662,558	19,452,124
	<u>538,861,127</u>	<u>564,016,553</u>

The following investments mature after 12 months:

	30.06.2015	31.12.2014
	RM	RM
LAR	20,577,152	21,547,499
AFS financial assets	435,856,542	438,412,134
FVTPL financial assets	19,662,558	19,452,124
	<u>476,096,252</u>	<u>479,411,757</u>

(a) LAR

	30.06.2015	31.12.2014
	RM	RM
At amortised cost/cost:		
Fixed and call deposits with licensed financial institutions	11,400,000	22,030,000
Loans :	21,816,747	21,673,428
Mortgage loans	211,836	275,563
Corporate loans	20,044,110	20,048,074
Other loans	1,560,801	1,349,791
	<u>33,216,747</u>	<u>43,703,428</u>

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9. INVESTMENTS (CONT'D)

The carrying value of the fixed and call deposits approximate their fair values due to the relatively short term maturities.

The carrying value of the mortgage loans and other loans are reasonable approximations of fair values due to the insignificant impact of discounting.

(b) AFS financial assets

	30.06.2015	31.12.2014
	RM	RM
At fair value:		
Malaysian government securities	93,220,467	90,945,887
Debt securities:		
Quoted in Malaysia	354,695,685	371,814,476
Equity securities:		
Quoted in Malaysia	35,956,723	35,808,725
Unit and property trust funds:		
Quoted in Malaysia	2,108,947	2,291,913
	<u>485,981,822</u>	<u>500,861,001</u>

(c) FVTPL

	30.06.2015	31.12.2014
	RM	RM
Held for trading		
At fair value:		
Debt securities:		
Unquoted in Malaysia	19,662,558	19,452,124
	<u>19,662,558</u>	<u>19,452,124</u>

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9. INVESTMENTS (CONT'D)

(d) Carrying Values of Investments

	LAR RM	AFS RM	FVTPL RM	TOTAL RM
At 1 January 2014	52,159,441	460,030,360	33,384,644	545,574,445
Purchases	1,886,692,154	299,516,516	-	2,186,208,670
Maturities/disposals	(1,895,140,371)	(255,292,042)	(15,245,382)	(2,165,677,795)
Fair value losses recorded in other comprehensive income	-	(4,196,816)	-	(4,196,816)
Fair value gains recorded in income statement	-	303,623	1,312,862	1,616,485
Reversal of impairment losses on investments	-	339,720	-	339,720
(Amortisation)/Accretion adjustments	(7,796)	159,640	-	151,844
At 31 December 2014	<u>43,703,428</u>	<u>500,861,001</u>	<u>19,452,124</u>	<u>564,016,553</u>
Purchases	750,133,000	191,655,928	10,000,000	951,788,928
Maturities/disposals	(760,615,716)	(211,929,008)	(10,147,990)	(982,692,714)
Fair value gains recorded in other comprehensive income	-	5,232,030	-	5,232,030
Fair value gains recorded in income statement	-	-	358,424	358,424
(Amortisation)/Accretion adjustments	(3,963)	161,870	-	157,907
At 30 June 2015	<u>33,216,748</u>	<u>485,981,821</u>	<u>19,662,558</u>	<u>538,861,127</u>

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10. REINSURANCE ASSETS

	30.06.2015	31.12.2014
	RM	RM
Reinsurers' share of claims liabilities (Note 11)	167,738,884	182,416,099
Reinsurers' share of premiums liabilities (Note 11)	58,495,996	53,036,841
	<u>226,234,880</u>	<u>235,452,940</u>

Movement of accumulated impairment losses account:

	Individually Impaired	
	30.06.2015	31.12.2014
	RM	RM
At beginning of year	2,008,711	-
Provision for impairment losses	(249,273)	2,008,711
At end of period/year	<u>1,759,438</u>	<u>2,008,711</u>

At end of period, the Company made impairment losses of RM1,759,438 in respect of certain claim recoveries related to a reinsurer of which balances are doubtful of recovery due to its deteriorating financial performance and credit rating.

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11. INSURANCE CONTRACT LIABILITIES

	Gross	30.06.2015	Net	Gross	31.12.2014	Net
	RM	Reinsurance	RM	RM	Reinsurance	RM
		RM			RM	
Provision for claims reported by policyholders	334,369,569	(164,987,611)	169,381,958	327,549,039	(152,842,235)	174,706,804
Provision for incurred but not reported claims ("IBNR") and provision for risk margin for adverse deviations ("PRAD")	51,472,889	(2,751,273)	48,721,616	65,849,118	(29,573,863)	36,275,255
Claim liabilities (i)	385,842,458	(167,738,884)	218,103,574	393,398,157	(182,416,098)	210,982,059
Premiums liabilities (ii)	184,442,381	(58,495,996)	125,946,385	166,330,753	(53,036,841)	113,293,912
	570,284,839	(226,234,880)	344,049,959	559,728,910	(235,452,939)	324,275,971
(i) Claims Liabilities						
At beginning of year	393,398,157	(182,416,099)	210,982,058	339,873,106	(129,229,887)	210,643,219
Claims incurred in the current accident period (direct and facultative)	99,295,002	(25,680,497)	73,614,505	223,764,107	(77,960,863)	145,803,244
Adjustment to claims incurred in prior accident year due to changes in assumptions						
- change in link ratios used in IBNR estimation	562,709	(1,541,838)	(979,129)	11,042,262	(26,839,791)	(15,797,529)
Movement in PRAD of claims liabilities	(6,159,004)	137,927	(6,021,077)	(4,315,157)	359,852	(3,955,305)
Movement in claims handling expenses (i.e. ULAE)	(636,380)	-	(636,380)	328,789	-	328,789
Other movement in claims incurred in prior accident years (direct and facultative)	(1,369,242)	845,880	(523,362)	(15,264,776)	3,018,515	(12,246,261)
Movement in claims incurred (treaty inwards claims)	7,341,400	2,352,499	9,693,899	20,947,990	(1,386,544)	19,561,446
Claims paid during the period	(106,590,184)	38,563,244	(68,026,940)	(182,978,164)	49,622,619	(133,355,545)
At end of period/year	385,842,459	(167,738,884)	218,103,574	393,398,157	(182,416,099)	210,982,058
(ii) Premium Liabilities						
At beginning of year	166,330,753	(53,036,841)	113,293,912	161,982,624	(48,710,008)	113,272,616
Premiums written in the period	221,643,057	(68,677,014)	152,966,043	409,136,694	(137,971,282)	271,165,412
Premiums earned during the period	(203,531,429)	63,217,859	(140,313,570)	(404,788,565)	133,644,449	(271,144,116)
At end of period/year	184,442,381	(58,495,996)	125,946,385	166,330,753	(53,036,841)	113,293,912

As at 30 June 2015, the insurance contract liabilities above includes the Company's share of MMIP's claims and premium liabilities amounting to RM61,995,534 (2014: RM60,240,333) and RM10,139,199 (2014: RM10,847,068).

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12. TAXATION

	30.06.2015	30.06.2014
	RM	RM
Current income tax:		
Malaysian income tax	7,416,294	7,064,321
Overprovision of income tax	(909,429)	-
	<u>6,506,865</u>	<u>7,064,321</u>
Deferred tax:		
Relating to origination and reversal of temporary differences	(16,230)	(102,555)
Overprovision in prior year	-	(7,572)
	<u>(16,230)</u>	<u>(110,127)</u>
	<u>6,490,635</u>	<u>6,954,194</u>

The income tax is based on the tax rate of 25% (2014: 25%) of the estimated assessable profit for the financial period.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expenses at the effective income tax rate is as follows:

	30.06.2015	30.06.2014
	RM	RM
Profit before taxation	<u>28,836,104</u>	<u>29,335,830</u>
Taxation at Malaysian statutory tax rate of 25%	7,209,026	7,333,958
Income not subject to tax	(160,194)	(498,135)
Expenses not deductible for tax purposes	360,150	228,499
Transfer from/(to) deferred tax	(16,230)	(102,555)
Tax rate changes	7,312	-
Overprovision in prior year	(909,429)	(7,572)
Tax expense for the year	<u>6,490,635</u>	<u>6,954,194</u>

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13. EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit for the financial period attributable to ordinary equity holders of the Company by the number of ordinary shares in issue during the financial period.

	30.06.2015	30.06.2014
	RM	RM
Profit attributable to ordinary equity holders	22,345,469	22,381,636
Number of ordinary shares in issue during the period	100,000,000	100,000,000
Basic earnings per share (sen)	<u>22.35</u>	<u>22.38</u>

There were no dilutive potential ordinary shares as at the reporting date. There have been no other transactions involving ordinary shares between the reporting date and the date of completion of the financial statements.

14. CASH GENERATED FROM OPERATING ACTIVITIES

	30.06.2015	30.06.2014
	RM	RM
Profit before taxation	28,836,104	29,335,830
Investment income	(12,939,868)	(12,654,522)
Realised (gains)/losses on AFS and FVTPL financial assets	(2,135,293)	485,565
Fair value gains recorded in income statement	(358,424)	(1,441,197)
Purchases of AFS financial assets	(191,655,929)	(148,025,042)
Purchases of FVTPL financial assets	(10,000,000)	-
Proceeds from maturities/disposal of AFS financial assets	213,996,626	119,878,708
Proceeds from maturities/disposal of FVTPL financial assets	10,215,665	13,994,006
Increase in LAR	(147,282)	(110,461)
Non-cash items:		
Depreciation of property and equipment	1,333,621	1,192,662
Loss on disposal of property and equipment	-	3,388
Provision/(reversal) of impairment losses on insurance receivable	22,422	(1,072,604)
Bad debts written off	-	15,710
Property and equipment written off	258	-
Reversal of provision for impairment losses on investments	-	(339,721)
Net amortisation of discounts	(157,908)	(89,968)

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14. CASH GENERATED FROM OPERATING ACTIVITIES (CONT'D.)

	30.06.2015	30.06.2014
	RM	RM
Changes in working capital:		
Reinsurance assets	9,218,060	(13,458,700)
Insurance receivables	(31,415,667)	(3,314,992)
Other receivables	(592,220)	(826,990)
Insurance contract liabilities	10,555,929	35,210,690
Deposit from reinsurers	(79,570)	(1,407,391)
Insurance payables	(12,546,996)	(5,148,540)
Other payables	(6,773,608)	(6,587,666)
Cash generated from operating activities	<u>5,375,920</u>	<u>5,638,765</u>

The Company classifies the cash flows from the acquisition and disposal of financial assets as operating cash flows, as the purchases are funded from cash flows associated with the origination of insurance contracts, net of the cash flows for payments of claims incurred for insurance contracts, which are classified under operating activities.

15. CAPITAL COMMITMENTS

	30.06.2015	31.12.2014
	RM	RM
Capital expenditure		
Approved and contracted for:		
Property and equipment	3,983,851	6,918,779
Approved but not contracted for:		
Property and equipment	9,367,913	4,397,935
	<u>13,351,764</u>	<u>11,316,714</u>

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16. OPERATING LEASE ARRANGEMENTS

The Company as lessee

The Company has entered into a lease agreement for rental of equipment, software and services and office premises.

The future aggregate minimum lease payments under operating lease contracted for as at the reporting date but not recognised as liabilities are as follows:

Future minimum rental payments:

	30.06.2015	31.12.2014
	RM	RM
Rental of equipment, software and services:		
Not later than 1 year	221,185	184,432
Later than 1 year and not later than 5 years	242,694	225,219
	<u>463,879</u>	<u>409,651</u>
Rental of office premises:		
Not later than 1 year	1,996,631	2,082,813
Later than 1 year and not later than 5 years	1,784,728	2,454,188
	<u>3,781,359</u>	<u>4,537,001</u>

17. REGULATORY CAPITAL REQUIREMENTS

The capital structure of the Company as at 30 June 2015, as prescribed under the Risk Based Capital Framework is provided below:

	30.06.2015	31.12.2014
	RM	RM
Eligible Tier 1 Capital		
Share capital (paid up)	100,000,000	100,000,000
Reserves, including retained earnings	232,695,320	229,349,851
	<u>332,695,320</u>	<u>329,349,851</u>
Tier 2 Capital		
Eligible Reserves	3,383,912	(584,636)
	<u>(18,182,598)</u>	<u>(18,920,357)</u>
Deductions		
	<u>(18,182,598)</u>	<u>(18,920,357)</u>
Total Capital Available	<u>317,896,634</u>	<u>309,844,858</u>