

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2012

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
As at 30 September 2012- unaudited**

	30 September 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets			
Property, plant and equipment	112,696	91,808	87,423
Intangible assets	290,819	299,014	309,629
Investment properties	3,732	3,732	3,392
Deferred tax assets	4,934	-	2,074
Investments	1,311,707	973,262	871,064
Reinsurance assets	529,044	544,946	502,384
Other receivables, deposits and prepayments	11,790	13,026	13,864
Total non-current assets	2,264,722	1,925,788	1,789,830
Investments	5,080,383	4,618,635	3,762,277
Derivative financial assets	5,638	-	-
Reinsurance assets	675,622	609,205	546,430
Deferred acquisitions costs	60,546	49,667	42,598
Insurance receivables	176,568	116,933	100,164
Other receivables, deposits and prepayments	121,782	97,406	106,733
Current tax assets	2,328	3,245	1,890
Assets classified as held for sale	-	-	2,440
Cash and cash equivalents	505,577	511,892	494,755
Total current assets	6,628,444	6,006,983	5,057,287
Total assets	8,893,166	7,932,771	6,847,117

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

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position
As at 30 September 2012- unaudited (continued)**

	30 September 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Equity			
Share capital	157,872	156,428	153,869
Irredeemable Convertible Preference Shares	188,334	189,778	192,337
Reserves	1,451,674	1,291,806	1,126,306
Total equity	1,797,880	1,638,012	1,472,512
Liabilities			
Insurance contract liabilities	3,911,223	3,471,603	2,032,761
Other financial liabilities	1,463	1,463	1,582
Insurance payables	20,475	13,351	16,589
Other payables and accruals	56,283	56,964	49,921
Deferred tax liabilities	111,798	94,733	78,605
Total non-current liabilities	4,101,242	3,638,114	2,179,458
Insurance contract liabilities	2,441,509	2,156,629	2,705,431
Other financial liabilities	2,540	2,789	2,013
Insurance payables	291,743	269,831	275,151
Other payables and accruals	156,687	156,702	146,906
Benefits and claims liabilities	86,656	68,573	59,545
Current tax liabilities	14,909	2,121	6,101
Total current liabilities	2,994,044	2,656,645	3,195,147
Total liabilities	7,095,286	6,294,759	5,374,605
Total equity and liabilities	8,893,166	7,932,771	6,847,117
Net asset per ordinary share (RM)	11.39	10.47	9.57
Diluted net asset per ordinary share (RM)	5.19	4.73	4.25

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

ALLIANZ MALAYSIA BERHAD (12428-W)
**Condensed consolidated statement of profit or loss
For the period ended 30 September 2012 - unaudited**

	Note	Individual period Three months ended 30 September		Cumulative period Nine months ended 30 September	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating revenue *		786,593	687,309	2,297,844	2,015,149
Gross earned premiums		716,548	627,607	2,098,252	1,845,118
Premiums ceded to reinsurers		(149,326)	(108,355)	(407,643)	(319,349)
Net earned premiums		567,222	519,252	1,690,609	1,525,769
Investment income	4	70,045	59,702	199,592	170,031
Realised gains and losses	5	14,287	(3,332)	43,147	34,726
Fair value gains and losses	6	(4,416)	(8,012)	14,676	5,761
Fee and commission income		28,180	22,033	75,060	53,766
Other operating income		1,743	313	4,892	3,796
Other revenue		109,839	70,704	337,367	268,080
Gross benefits and claim paid		(271,528)	(267,780)	(843,058)	(761,507)
Claims ceded to reinsurers		62,175	73,380	203,444	202,159
Gross change to contract liabilities		(196,934)	(119,403)	(537,545)	(558,842)
Change in contract liabilities ceded to reinsurers		6,365	(13,023)	(26,178)	66,967
Net benefits and claims		(399,922)	(326,826)	(1,203,337)	(1,051,223)
Fee and commission expense		(114,487)	(112,428)	(336,231)	(321,681)
Management expenses		(85,845)	(71,068)	(244,001)	(206,522)
Other operating expenditure		(4,880)	(9,347)	(11,554)	(16,378)
Other expenses		(205,212)	(192,843)	(591,786)	(544,581)
Profit before taxation	7	71,927	70,287	232,853	198,045
Taxation	8	(18,806)	(25,434)	(69,305)	(67,677)
Net profit for the period		53,121	44,853	163,548	130,368

* Operating revenue consists of gross earned premiums and investment income.

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

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of comprehensive income

For the period ended 30 September 2012 - unaudited

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	53,121	44,853	163,548	130,368
Other comprehensive income				
Fair value of available-for-sale financial assets	(132)	5,671	(189)	6,197
Revaluation of property, plant and equipment	-	-	19,459	5,425
Income tax thereon	33	(1,426)	(4,835)	(2,156)
Other comprehensive income for the period	(99)	4,245	14,435	9,466
Total comprehensive income for the period	53,022	49,098	177,983	139,834
Profit attributable to:				
Owners of the Company	53,121	44,853	163,548	130,368
Total comprehensive income for the period attributable to:				
Owners of the Company	53,022	49,098	177,983	139,834
Basic earnings per ordinary share (sen)	33.87	29.15	104.43	84.73
Diluted earnings per ordinary share (sen)	13.91	11.92	42.85	34.64

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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated statement of changes in equity for the period ended 30 September 2012 - unaudited

	←----- Attributable to owners of the Company -----→							Total Equity
	←----- Non-distributable -----→					Distributable		
	Share Capital	Preference Shares	Share Premium	Asset Revaluation Reserve	Fair Value Reserve	Life Non Participating Surplus*	Retained Earnings	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2011, as previously stated	153,869	192,337	424,823	5,355	11,436	-	471,781	1,259,601
Effect of adopting MFRS	-	-	-	300	116	212,495	-	212,911
At 1 January 2011, as restated	153,869	192,337	424,823	5,655	11,552	212,495	471,781	1,472,512
Fair value of available-for-sale financial assets	-	-	-	-	4,640	-	-	4,640
Revaluation of property, plant and equipment	-	-	-	4,826	-	-	-	4,826
Total other comprehensive income for the period	-	-	-	4,826	4,640	-	-	9,466
Profit for the period	-	-	-	-	-	32,618	97,750	130,368
Total comprehensive income for the period	-	-	-	4,826	4,640	32,618	97,750	139,834
Dividends to owners of the Company	-	-	-	-	-	-	(12,114)	(12,114)
At 30 September 2011	153,869	192,337	424,823	10,481	16,192	245,113	557,417	1,600,232
At 31 December 2011								
/1 January 2012, as restated	156,428	189,778	424,823	10,529	20,656	244,204	591,594	1,638,012
Fair value of available-for-sale financial assets	-	-	-	-	(158)	-	-	(158)
Revaluation of property, plant and equipment	-	-	-	14,593	-	-	-	14,593
Total other comprehensive income for the period	-	-	-	14,593	(158)	-	-	14,435
Profit for the period	-	-	-	-	-	30,089	133,459	163,548
Total comprehensive income for the period	-	-	-	14,593	(158)	30,089	133,459	177,983
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	1,444	(1,444)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(18,115)	(18,115)
At 30 September 2012	157,872	188,334	424,823	25,122	20,498	274,293	706,938	1,797,880

* The Life Non Participating Surplus amount is net of deferred tax. This amount is only distributable upon the annual recommendation by the Appointed Actuary to transfer the life fund surplus to the shareholders' fund.

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flow
For the period ended 30 September 2012 - unaudited**

	Period ended 30 September 2012 RM'000	Period ended 30 September 2011 RM'000
Cash flows from operating activities		
Profit before taxation	232,853	198,045
Investment income	(199,592)	(170,031)
Realised gains from disposal of financial investments	(43,119)	(35,027)
Fair value change of financial assets through profit or loss	(14,676)	(5,761)
Purchases of financial investments	(1,812,640)	(1,758,505)
Maturity of financial investments	322,710	276,283
Proceeds from sale of financial investments	750,661	833,157
Change in loans and receivables	6,693	14,211
Unrealised foreign exchange gain	30	109
Non-cash items:		
Change in fair value changes	(18,870)	26,869
Amortisation of intangible assets	8,568	8,505
Impairment loss on financial investments	1,843	-
Depreciation of property, plant and equipment	8,829	7,663
Insurance and other receivables:		
- Impairment loss written off	519	1,730
- Allowance for impairment loss	4,392	1,176
- Impairment loss recovered	(220)	(165)
Property, plant and equipment written off	81	857
Interest expense	1,379	1,341
(Gain)/Loss on disposal of property, plant and equipment	(28)	70
Loss on disposal of properties previously classified as held for sale	-	231
Operating loss before changes in working capital	(750,587)	(599,242)
Changes in working capital:		
Change in contract liabilities	724,500	672,476
Change in other payables	(324)	6,954
Change in other financial liabilities	(249)	9,853
Change in benefits and claims liabilities	18,083	5,333
Change in other receivables, deposits and prepayments	(19,293)	24,141
Change in insurance receivables	(63,928)	(80,761)
Change in deferred acquisition costs	(10,879)	(12,157)
Change in insurance payables	29,124	(11,143)
Change in reinsurance assets	(50,515)	(104,318)
Cash used in operating activities	(124,068)	(88,864)

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of cash flow
For the period ended 30 September 2012 - unaudited**

	Period ended 30 September 2012 RM'000	Period ended 30 September 2011 RM'000
Cash flows from operating activities (continued)		
Tax paid	(49,946)	(43,360)
Coupon interest received	177,774	156,782
Dividend received	15,179	10,995
Others	3,635	2,597
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Net cash generated from operating activities	22,574	38,150
Cash flow from investing activities		
Acquisition of intangible assets	(373)	(690)
Acquisition of plant and equipment	(11,029)	(6,881)
Proceeds from disposal of property, plant and equipment	716	2,396
Proceeds from disposal of properties previously classified as held for resale	-	468
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Net cash used in investing activities	(10,686)	(4,707)
Cash flow from financing activities		
Dividends paid	(18,115)	(12,114)
Payment of finance lease liabilities	(88)	(628)
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Net cash used in financing activities	(18,203)	(12,742)
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Net (decrease)/increase in cash and cash equivalents	(6,315)	20,701
Cash and cash equivalents at 1 January	511,892	494,755
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Cash and cash equivalents at 30 September	505,577	515,456
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Cash and cash equivalents comprise:-		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	443,567	434,813
Cash and bank balances	62,010	80,643
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	505,577	515,456
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The accompanying Notes form an integral part of these condensed consolidated interim financial statements.

Part A: Explanatory notes to the condensed consolidated interim financial statements

1. Basis of preparation

These condensed consolidated quarterly financial statements ("Condensed Report") of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the period ended 30 September 2012 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").

They do not include all of the information required for full annual financial statement, and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2011.

These are the Group's condensed consolidated financial statements for part of the period covered by the Group's first MFRS framework annual financial statements and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. An explanation of how the transition to MFRS has affected the reported equity and financial performance of the Group is provided in Note 2.

2. Changes in accounting policies

Except as described below, the accounting policies applied by the Group in these condensed consolidated financial statements are the same as those applied by the Group in its consolidated annual financial statements as at and for the year ended 31 December 2011.

2.1 Bank Negara Malaysia ("BNM") Guideline - BNM/RH/GL 003-28, Financial Reporting for Insurers

In line with the convergence of Financial Reporting Standards ("FRS") to MFRS in 2012, BNM has issued revised Financial Reporting Guidelines for Insurers (BNM/RH/GL 003-28) ("Revised Guidelines") on 21 February 2012 for insurers to comply with the adoption of financial reporting standards approved by the Malaysian Accounting Standards Board ("MASB").

The Revised Guidelines require actuarial liabilities, unallocated surplus and fair value/revaluation reserves of life insurance contract liabilities with discretionary participating features to be presented as liabilities in the insurer's statement of financial position.

Arising from the Revised Guidelines, non participating surplus of the life insurance business which was retained within the life insurance fund and not transferred to the Shareholders' Fund is recognised as income in the Statement of Profit or Loss and retained earnings in the Statement of Changes in Equity.

Upon transition to MFRS, the Group elected to designate certain financial investments as fair value through profit or loss. Previous gains or losses on financial investments that have been recognised in other comprehensive income were reclassified from equity to retained earnings.

2. Changes in accounting policies (continued)

2.1 BNM Guideline - BNM/RH/GL 003-28, Financial Reporting for Insurers (continued)

Condensed consolidated statements of financial position

Group	As at 31.12.2011 RM'000	Effect of transition to MFRS RM'000	As at 31.12.2011 RM'000
Total current assets			
Current tax assets	3,138	107	3,245
Equity			
Reserves	1,046,711	245,095	1,291,806
Total non-current liabilities			
Insurance contract liabilities	3,472,397	(794)	3,471,603
Deferred tax liabilities	13,224	81,509	94,733
Total current liabilities			
Insurance contract liabilities	2,482,332	(325,703)	2,156,629

Condensed consolidated statement of profit or loss
for the period ended 30 September 2012

	RM'000
Profit after tax as previously reported under FRS	97,750
Effect of transition to MFRS	32,618
Restated profit after tax reported under MFRS	130,368

Condensed consolidated statements of changes in equity
for the period ended 30 September 2012

Group	Period ended 30.9.2011 RM'000	Effect of transition to MFRS RM'000	Period ended 30.9.2011 RM'000
Non-Distributable			
Asset revaluation reserve	10,181	300	10,481
Fair value reserve	16,119	73	16,192
Life non participating surplus	-	245,113	245,113

2. Changes in accounting policies (continued)

2.1 BNM Guideline - BNM/RH/GL 003-28, Financial Reporting for Insurers (continued)

Condensed consolidated statements of changes in equity
for the year ended 31 December 2011

Group	Year ended 31.12.2011 RM'000	Effect of transition to MFRS RM'000	Year ended 31.12.2011 RM'000
Non-Distributable			
Asset revaluation reserve	9,735	794	10,529
Fair value reserve	20,559	97	20,656
Life non participating surplus	-	244,204	244,204

2.2 MFRS, Amendments to MFRS and Issues Committee ("IC") Interpretation issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRS, Amendments to MFRS and IC Interpretation were issued but not yet effective and have not been applied by the Group:

MFRS, Amendments to MFRS and IC Interpretation	Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009 and October 2010)
	1 January 2015
MFRS 10	Consolidated Financial Statements
	1 January 2013
MFRS 11	Joint Arrangement
	1 January 2013
MFRS 12	Disclosure of Interests in Other Entities
	1 January 2013
MFRS 13	Fair Value Measurement
	1 January 2013
MFRS 119	Employee Benefits
	1 January 2013
MFRS 127	Separate Financial Statements
	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures
	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
	1 January 2013
Amendments to MFRS 101	Presentation of Items of Other Comprehensive Income
	1 July 2012
Amendments to MFRS 132	Offsetting Financial Assets and Financial Liabilities
	1 January 2014
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine
	1 January 2013

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 current period ended 30 September 2012.

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.

6. Property, plant and equipment

The Group's property, plant and equipment are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. During the financial period under review, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	Group RM'000
Investment holding	18,655
General insurance operations	802
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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 2012

	Group RM'000
Property, plant and equipment:	
Approved but not contracted for	20,304
Contracted but not provided for	4,007
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9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Nine months ended 30 September	
	2012	2011
	RM'000	RM'000
Related companies*		
Reinsurance premium and commission	(173,021)	(129,259)
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* Related companies are companies within the Allianz SE group.

10. Changes in contingent liabilities

There were no contingent liabilities as at the date of this report.

11. Debt and equity securities

There were no issuance and repayment of debts and equity securities, share buy backs, share cancellations, share held as treasury shares and resale of treasury shares 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 this report.

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

Investment holding
General business
Life business

Principal activities

Investment holding
Underwriting of all classes of general insurance business
Underwriting of all life insurance and investment-linked business

Information about reportable segments

For the period ended 30 September 2012 - unaudited

	Investment holding		General business		Life business		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	7,630	6,808	1,228,291	1,072,660	1,061,923	935,681	2,297,844	2,015,149
Inter-segment revenue	(3,450)	(16,590)	-	-	-	-	(3,450)	(16,590)
Segment profit	7,482	(2,602)	171,947	146,015	53,424	54,632	232,853	198,045
Segment assets	328,755	286,078	4,215,263	3,809,750	4,349,148	3,583,244	8,893,166	7,679,072
Segment liabilities	9,000	15,956	3,012,225	2,725,126	4,074,061	3,337,759	7,095,286	6,078,841

14. Dividend paid

The first and final dividend of 5.25 sen per ordinary share less 25% tax (2011: 3.50 sen less 25% tax) and a preference share dividend of 6.30 sen per Irredeemable Convertible Preference Share under single tier system amounting to RM18,114,228 for the financial year ended 31 December 2011 were paid to the entitled shareholders of the Company on 8 August 2012, whose names appeared on the Register of Members and/or Record of Depositors on 16 July 2012.

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 3rd Quarter 2012 versus YTD 3rd Quarter 2011)

Operating revenue

The Group recorded an operating revenue of RM2.3 billion for the nine months ended 30 September 2012, an increase of 14.0% or RM282.7 million as compared to the preceding period ended 30 September 2011 of RM2.0 billion due to higher gross earned premiums and investment income by RM253.2 million and RM29.5 million respectively.

The general insurance operations recorded an operating revenue of RM1.2 billion for the period ended 30 September 2012, an increase of 14.5% or RM155.6 million as compared to the preceding period ended 30 September 2011 of RM1.1 billion due to the increase in gross earned premiums and investment income by RM147.4 million and RM8.2 million respectively.

The increase in gross earned premiums of the general insurance operations was due mainly to improved sales distribution capabilities. Most distribution channels recorded growth against previous period with agencies being the main contributor. The investment income was due mainly to bigger investment asset base.

The life insurance operations recorded an operating revenue of RM1.1 billion for the period ended 30 September 2012, an increase of 13.5% or RM126.2 million as compared to the preceding period ended 30 September 2011 due to the increase in gross earned premiums and investment income by RM105.8 million and RM20.4 million respectively.

The increase in gross earned premiums of the life insurance business was mainly attributable to stronger renewal premiums from agency sales. The higher investment income was due mainly to a bigger investment asset base.

Profit before tax

The Group recorded a profit before tax of RM232.9 million for the period ended 30 September 2012, an increase of 17.6% or RM34.9 million as compared to the preceding period ended 30 September 2011 of RM198.0 million.

The profit was mainly attributable to the general insurance operations which recorded a profit before tax of RM171.9 million for the period ended 30 September 2012; an increase of 17.7% or RM25.9 million as compared to the preceding period ended 30 September 2011 of RM146.0 million. The increase in profit was due mainly to higher underwriting profit of RM109.9 million as compared to the preceding period ended 30 September 2011 of RM92.8 million.

1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD 3rd Quarter 2012 versus YTD 3rd Quarter 2011)

Profit before tax (continued)

The general insurance operations sustained its profitable growth through portfolio and product management by maintaining a diversified and balanced portfolio mix, coupled with the implementation of prudent underwriting guidelines and various efficient operational measures.

The life insurance operations recorded a lower profit before tax of RM53.4 million for the period ended 30 September 2012; a decrease of 2.2% or RM1.2 million as compared to the preceding period ended 30 September 2011 of RM54.6 million due mainly to higher claims and reserving for the current period under review.

The investment holding segment registered a profit before tax of RM7.6 million as compared to loss before tax of RM2.6 million in the preceding period due mainly to higher realised gains from investments for the current period under review and provision for an out of court settlement in the preceding period.

1.2 Results of the current quarter against the preceding quarter (3rd Quarter 2012 versus 2nd Quarter 2012)

Operating revenue

The Group recorded an operating revenue of RM786.6 million for the current quarter under review, an increase of 1.9% or RM14.8 million as compared to the preceding quarter ended 30 June 2012 of RM771.8 million due mainly to the increase in gross earned premiums by RM10.8 million from both general and life insurance operations.

The general insurance operations recorded an operating revenue of RM423.5 million for the current quarter under review, an increase of 2.9% or RM11.8 million as compared to the preceding quarter of RM411.7 million due mainly to higher gross earned premiums.

The life insurance operations registered an operating revenue of RM360.4 million for the current quarter under review, an increase of 0.8% or RM3.0 million as compared to the preceding quarter of RM357.4 million due mainly to higher gross earned premiums.

Profit before tax

The Group recorded a profit before tax of RM72.0 million for the current quarter under review, a decrease of 14.6% or RM12.3 million as compared to the preceding quarter ended 30 June 2012 of RM84.3 million due mainly to lower surplus from life insurance operations.

The profit before tax of life insurance operations for the current quarter under review decreased by 40.2% or RM9.9 million as compared to the preceding quarter of RM24.6 million due mainly to higher fair value gains from the preceding quarter.

The profit before tax of general insurance operations for the current quarter under review was lower by 3.0% or RM1.7 million as compared to the preceding quarter of RM56.8 million due mainly to lower realised gains from disposal of investment for the quarter.

1.2 Results of the current quarter against the preceding quarter (3rd Quarter 2012 versus 2nd Quarter 2012)

Profit before tax (continued)

The investment holding segment registered a profit before tax of RM2.2 million as compared to profit before tax of RM2.9 million in the preceding quarter due mainly to lower realised gains from investments in the current quarter.

2. Current year prospect

The Malaysian economy is expected to continue to grow at 4 to 5 percent in 2012 supported by domestic demand and private investments under the Economic Transformation Programme. However downside risks from external economies remain. The Group expects the business environment for the remaining of the year to be competitive and challenging with continued consolidation of the insurance industry and uncertainties in the global economy which may impact local economy growth.

Notwithstanding this, the Group has in place strategic initiatives to reinforce its competitive position in the insurance industry.

The general insurance operations will continue to embark on a balanced portfolio growth by expanding its motor business via multi distribution channel and leveraging on its motor customer base to expand non-motor portfolio. The general insurance operations will continue to focus on sound underwriting practice to deliver sustainable growth.

The life insurance operations are expected to sustain growth momentum through initiatives to enlarge agency force and introduction of new products to meet customer needs. The life insurance operations will also expand its bancassurance business to build a multi distribution sales platform and widen its distribution reach.

The growth of the Group will continue to emanate predominantly from its general insurance operations which will contribute to the majority of the profit and the life insurance operations will provide a steady surplus transfer to the shareholders' fund.

The Board is of the view that the Group will continue its growth momentum for the remaining of the year.

3. Profit forecast

The Group did not issue any profit forecast or profit guarantee as at the date of this report.

4. Investment income

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	62,976	54,452	183,352	156,990
Dividend income	6,166	3,959	15,179	10,995
Accretion of discounts	1,743	1,892	4,123	4,734
Rental income	30	37	106	113
Other income	1,361	1,357	3,947	3,485
Amortisation of premiums	(2,231)	(1,995)	(7,115)	(6,286)
	70,045	59,702	199,592	170,031

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5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of investments in debt and equity securities:				
Malaysian government securities	-	-	4,861	-
Quoted equity securities of corporations in Malaysia	13,013	(5,055)	28,019	33,945
Quoted unit trusts in Malaysia	1,268	-	2,588	-
Unquoted unit trusts in Malaysia	114	-	114	-
Quoted bonds of corporations in Malaysia	126	1,236	5,773	1,219
Unquoted debts securities in Malaysia	(1,691)	1,551	1,049	1,587
Structured deposits	1,765	-	1,765	-
Realised losses on disposal of investments in debt and equity securities:				
Quoted equity securities of corporations outside Malaysia	-	(392)	-	(664)
Quoted unit trusts in Malaysia	-	(12)	-	(12)
Unquoted unit trusts outside Malaysia	(311)	(498)	(1,050)	(1,045)
Unquoted bonds of corporations in Malaysia	-	-	-	(3)
Realised gains/(losses) on disposal of plant and equipment	3	(162)	28	(70)
Realised losses on disposal of properties previously classified as held for resale	-	-	-	(231)
	14,287	(3,332)	43,147	34,726

6. Fair value gains or losses

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Fair value gains or losses:				
Financial assets at Fair Value Through Profit or Loss:				
- Held for Trading	2,480	(18,537)	8,415	(13,057)
- Designated upon initial recognition	(1,629)	10,525	3,223	18,818
Derivative financial assets - Held for Trading	(5,267)	-	3,038	-
	(4,416)	(8,012)	14,676	5,761

7. Profit before taxation

Profit before taxation 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	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	2,868	2,845	8,568	8,505
Depreciation on property, plant and equipment	3,140	2,829	8,829	7,663
Insurance and other receivables:				
- Impairment loss written off	587	926	519	1,730
- Allowance for impairment loss	2,217	(483)	4,392	1,176
- Impairment loss recovered	(68)	(10)	(220)	(165)
Impairment loss on investments	1,843	-	1,843	-
Interest expense	31	302	1,379	1,341
Property, plant and equipment written off	(9)	3	81	857
Unrealised foreign exchange gain	114	109	30	109
	114	109	30	109

Other than as disclosed in Note 6 and 7, there are no exceptional items for the period ended 30 September 2012.

8. Taxation

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	71,927	70,287	232,853	198,045
Current tax expense				
Income tax	24,018	23,177	63,650	57,116
Deferred tax	(5,212)	2,257	5,655	10,561
Total income tax expense	18,806	25,434	69,305	67,677
Effective tax rate	26%	36%	30%	34%

The Group's consolidated effective tax rate for the financial period under review is higher than the statutory tax rate of 25% (2011: 25%) due mainly to the following:

- In addition to the 25% 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 this 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 2012

	Group RM'000
Finance lease liability (interest bearing)	80

11. Changes in material litigations

There are no material litigations pending at the date of this report.

12. Earnings per ordinary share

(a) Basic earnings per ordinary share

Basic earning 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	
		2012	2011	2012	2011
Net profit attributable to shareholders	(RM'000)	53,121	44,853	163,548	130,368
Weighted average number of ordinary shares in issue	('000)	156,846	153,869	156,610	153,869
Basic earnings per ordinary share	(sen)	33.87	29.15	104.43	84.73

(b) Diluted earnings per ordinary share

Diluted earning 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	
		2012	2011	2012	2011
Net diluted profit attributable to shareholders	(RM'000)	53,121	44,853	163,548	130,368
Weighted average number of ordinary shares in issue	('000)	193,616	183,992	193,380	183,992
Effect of conversion of ICPS	('000)	188,334	192,337	188,334	192,337
Diluted weighted average number of ordinary shares in issue	('000)	381,950	376,329	381,714	376,329
Diluted earnings per ordinary share	(sen)	13.91	11.92	42.85	34.64

13. Dividend

The first and final dividend of 5.25 sen per ordinary share less 25% tax (2011: 3.50 sen less 25% tax) and a preference share dividend of 6.30 sen per Irredeemable Convertible Preference Share under single tier system amounting to RM18,114,228 for the financial year ended 31 December 2011 were paid to the entitled shareholders of the Company on 8 August 2012, whose names appeared on the Register of Members and/or Record of Depositors on 16 July 2012.

14. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 September 2012, into realised and unrealised profits, is as follow:

	As at 30.9.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings of the Group:		
- Realised	1,062,420	908,409
- Unrealised	(81,189)	(72,611)
Total retained earnings	<u>981,231</u>	<u>835,798</u>

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 earnings 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 2011 was not qualified.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
23 November 2012