

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2012

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
As at 31 December 2012- unaudited**

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets			
Property, plant and equipment	111,727	91,808	87,423
Intangible assets	288,037	299,014	309,629
Investment properties	4,962	3,732	3,392
Deferred tax assets	6,255	-	2,074
Investments	1,303,800	973,262	871,064
Reinsurance assets	571,197	544,946	502,384
Other receivables, deposits and prepayments	12,137	13,026	13,864
Total non-current assets	2,298,115	1,925,788	1,789,830
Investments	5,513,472	4,618,635	3,762,277
Derivative financial assets	8,946	-	-
Reinsurance assets	599,274	609,205	546,430
Deferred acquisitions costs	59,315	49,667	42,598
Insurance receivables	144,569	116,933	100,164
Other receivables, deposits and prepayments	104,236	97,406	106,733
Current tax assets	4,242	3,245	1,890
Assets classified as held for sale	-	-	2,440
Cash and cash equivalents	458,317	511,892	494,755
Total current assets	6,892,371	6,006,983	5,057,287
Total assets	9,190,486	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 31 December 2012- unaudited (continued)**

	31 December 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Equity			
Share capital	158,636	156,428	153,869
Irredeemable Convertible Preference Shares ("ICPS")	187,570	189,778	192,337
Reserves	1,494,580	1,291,806	1,126,306
Total equity	1,840,786	1,638,012	1,472,512
Liabilities			
Insurance contract liabilities	4,084,738	3,471,603	2,032,761
Other financial liabilities	1,139	1,463	1,582
Insurance payables	20,467	13,351	16,589
Other payables and accruals	57,878	56,964	49,921
Deferred tax liabilities	115,147	94,733	78,605
Total non-current liabilities	4,279,369	3,638,114	2,179,458
Insurance contract liabilities	2,478,257	2,156,629	2,705,431
Other financial liabilities	2,714	2,789	2,013
Insurance payables	308,466	269,831	275,151
Other payables and accruals	184,677	156,702	146,906
Benefits and claims liabilities	84,813	68,573	59,545
Current tax liabilities	11,404	2,121	6,101
Total current liabilities	3,070,331	2,656,645	3,195,147
Total liabilities	7,349,700	6,294,759	5,374,605
Total equity and liabilities	9,190,486	7,932,771	6,847,117
Net asset per ordinary share (RM)	11.60	10.47	9.57
Diluted net asset per ordinary share (RM)	5.32	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 year ended 31 December 2012 - unaudited**

	Note	Individual period		Cumulative period	
		Three months ended 31 December		Twelve months ended 31 December	
		2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		849,757	736,515	3,147,601	2,751,664
Gross earned premiums		777,079	674,115	2,875,331	2,519,233
Premiums ceded to reinsurers		(145,042)	(117,650)	(552,685)	(436,999)
Net earned premiums		632,037	556,465	2,322,646	2,082,234
Investment income	4	72,678	62,400	272,270	232,431
Realised gains and losses	5	1,801	(459)	44,948	34,267
Fair value gains and losses	6	1,896	15,120	16,572	20,881
Fee and commission income		28,627	19,241	103,687	73,007
Other operating income		2,769	2,889	7,661	6,685
Other revenue		107,771	99,191	445,138	367,271
Gross benefits and claim paid		(257,840)	(229,179)	(1,100,898)	(990,686)
Claims ceded to reinsurers		61,912	52,712	265,356	254,871
Gross change to contract liabilities		(250,956)	(251,669)	(788,501)	(810,511)
Change in contract liabilities ceded to reinsurers		15,867	7,777	(10,311)	74,744
Net benefits and claims		(431,017)	(420,359)	(1,634,354)	(1,471,582)
Fee and commission expense		(143,411)	(117,094)	(479,642)	(438,775)
Management expenses		(94,381)	(64,107)	(338,382)	(270,629)
Other operating expenditure		(6,083)	(3,350)	(17,637)	(19,728)
Other expenses		(243,875)	(184,551)	(835,661)	(729,132)
Profit before taxation	7	64,916	50,746	297,769	248,791
Taxation	8	(20,859)	(17,478)	(90,164)	(85,155)
Net profit for the year		44,057	33,268	207,605	163,636

* 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 year ended 31 December 2012 - unaudited

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Net profit for the year	44,057	33,268	207,605	163,636
Other comprehensive income				
Fair value of available-for-sale financial assets	(1,537)	5,946	(1,727)	12,143
Revaluation of property, plant and equipment	-	495	19,459	5,920
Income tax thereon	387	(1,929)	(4,448)	(4,085)
Other comprehensive income for the year	(1,150)	4,512	13,284	13,978
Total comprehensive income for the year	42,907	37,780	220,889	177,614
Profit attributable to:				
Owners of the Company	44,057	33,268	207,605	163,636
Total comprehensive income for the year attributable to:				
Owners of the Company	42,907	37,780	220,889	177,614
Basic earnings per ordinary share (sen)	28.10	21.57	132.21	106.09
Diluted earnings per ordinary share (sen)	11.55	8.89	54.41	43.74

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 year ended 31 December 2012 - unaudited

	←----- Attributable to owners of the Company -----→							-----→
	←----- 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	-	-	-	-	9,104	-	-	9,104
Revaluation of property, plant and equipment	-	-	-	4,874	-	-	-	4,874
Total other comprehensive income for the year	-	-	-	4,874	9,104	-	-	13,978
Profit for the year	-	-	-	-	-	31,709	131,927	163,636
Total comprehensive income for the year	-	-	-	4,874	9,104	31,709	131,927	177,614
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	2,559	(2,559)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(12,114)	(12,114)
At 31 December 2011	156,428	189,778	424,823	10,529	20,656	244,204	591,594	1,638,012
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	-	-	-	-	(1,309)	-	-	(1,309)
Revaluation of property, plant and equipment	-	-	-	14,593	-	-	-	14,593
Total other comprehensive income for the year	-	-	-	14,593	(1,309)	-	-	13,284
Profit for the year	-	-	-	-	-	35,216	172,389	207,605
Total comprehensive income for the year	-	-	-	14,593	(1,309)	35,216	172,389	220,889
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	2,208	(2,208)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(18,115)	(18,115)
At 31 December 2012	158,636	187,570	424,823	25,122	19,347	279,420	745,868	1,840,786

* The Life Non Participating Surplus amount is net of deferred tax. This amount is only distributable when the surplus is transferred from the life fund to the shareholders' fund.

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flow**
For the year ended 31 December 2012 - unaudited

	Year ended 31 December 2012 RM'000	Year ended 31 December 2011 RM'000
Cash flows from operating activities		
Profit before taxation	297,769	248,791
Investment income	(272,270)	(232,431)
Realised gains from disposal of financial investments	(44,923)	(34,559)
Fair value change of financial assets through profit or loss	(15,342)	(20,541)
Purchases of financial investments	(2,389,115)	(2,240,839)
Maturity of financial investments	390,760	496,245
Proceeds from sale of financial investments	865,707	837,038
Change in loans and receivables	(9,987)	7,739
Non-cash items:		
Change in fair value of investment properties	(1,230)	(340)
Increase in fair value changes recorded in insurance contract liabilities	(38,073)	6,498
Unrealised foreign exchange gain	(125)	(726)
Amortisation of intangible assets	11,442	11,349
Impairment loss on financial investments	3,685	-
Depreciation of property, plant and equipment	12,179	11,400
Insurance and other receivables:		
- Impairment loss written off	982	6,675
- Write back of allowance for impairment loss	(1,210)	(11,113)
- Impairment loss recovered	(373)	(233)
Property, plant and equipment written off	85	862
Interest expense	1,952	1,369
(Gain)/Loss on disposal of property, plant and equipment	(25)	60
Loss on disposal of properties previously classified as held for sale	-	232
Operating loss before changes in working capital	(1,188,112)	(912,524)
Changes in working capital:		
Change in contract liabilities	934,762	890,040
Change in other payables	39,763	19,519
Change in other financial liabilities	(399)	657
Change in benefits and claims liabilities	16,240	9,028
Change in other receivables, deposits and prepayments	(14,236)	7,961
Change in insurance receivables	(26,570)	(11,824)
Change in deferred acquisition costs	(9,648)	(7,069)
Change in insurance payables	45,752	(8,558)
Change in reinsurance assets	(16,320)	(105,337)
Cash used in operating activities	(218,768)	(118,107)

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of cash flow
For the year ended 31 December 2012 - unaudited**

	Year ended 31 December 2012 RM'000	Year ended 31 December 2011 RM'000
Cash flows from operating activities (continued)		
Tax paid	(75,477)	(78,521)
Coupon interest received	251,190	219,984
Dividend received	20,862	14,663
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Net cash (used in)/generated from operating activities	(22,193)	38,019
	<hr/>	<hr/>
Cash flow from investing activities		
Acquisition of intangible assets	(416)	(149)
Acquisition of plant and equipment	(13,367)	(10,820)
Proceeds from disposal of property, plant and equipment	604	682
Proceeds from disposal of properties previously classified as held for resale	-	2,208
Transfer of assets	15	-
	<hr/>	<hr/>
Net cash used in investing activities	(13,164)	(8,079)
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Cash flow from financing activities		
Dividends paid	(18,115)	(12,114)
Payment of finance lease liabilities	(103)	(689)
	<hr/>	<hr/>
Net cash used in financing activities	(18,218)	(12,803)
	<hr/>	<hr/>
Net (decrease)/increase in cash and cash equivalents	(53,575)	17,137
Cash and cash equivalents at 1 January	511,892	494,755
	<hr/>	<hr/>
Cash and cash equivalents at 31 December	458,317	511,892
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Cash and cash equivalents comprise:-		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	435,327	488,592
Cash and bank balances	22,990	23,300
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	458,317	511,892
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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 year ended 31 December 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 statements, 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 year 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 year ended 31 December 2011

	RM'000
Profit after tax as previously reported under FRS	131,927
Effect of transition to MFRS	31,709
Restated profit after tax reported under MFRS	163,636

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. Changes in accounting policies (continued)

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 date
Amendments to MFRS 101	Presentation of Financial Statements - <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
MFRS 3	Business Combinations (2004)	1 January 2013
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 (2011)	1 January 2013
MFRS 128	Investments in Associates and Joint Ventures	1 January 2013
Amendments to MFRS 1	First-time adoption of Financial Reporting Standards - Government Loans	1 January 2013
Amendments to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities	1 January 2013
Amendments to MFRS 10	Consolidated Financial Statements - Transition Guidance	1 January 2013
Amendments to MFRS 11	Joint Arrangements - Transition Guidance	1 January 2013
Amendments to MFRS 12	Disclosures of Interests in Other Entities - Transition Guidance	1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities	1 January 2014
MFRS 9	Financial Instruments (2009)	1 January 2015
MFRS 9	Financial Instruments (2010)	1 January 2015
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Date of MFRS 9 and Transition Disclosures	1 January 2015

The Group plans to apply the abovementioned standards, amendments or interpretations:

- For accounting period beginning on 1 January 2013 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2012 and 1 January 2013, except for Amendments to MFRS 1 and IC Interpretation 20 which are not applicable to the Group.
- For accounting period beginning on 1 January 2014 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2014.
- For accounting period beginning on 1 January 2015 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 January 2015.

2. Changes in accounting policies (continued)

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

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

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. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy.

MFRS 10, Consolidated Financial Statements

MFRS 10, *Consolidated Financial Statements* introduces a new single control model to determining which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements and IC Interpretation 112, Consolidation – Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

MFRS 13, Fair Value Measurement

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRS.

The Group is currently assessing the financial impact of adopting MFRS 9, MFRS 10 and MFRS 13.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

3. Items of an unusual nature

The results of the Group for the financial year 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 year ended 31 December 2012.

5. Seasonal or cyclical factors

The operations of the Group for the financial year 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 accumulated depreciation and accumulated impairment losses if any. During the financial year under review, the Group has revalued its land and buildings and the revaluation surpluses amounting to:

	Group RM'000
Investment holding	18,657
General insurance operations	802
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ALLIANZ MALAYSIA BERHAD (12428-W)

7. Changes in group composition

There were no changes in the composition of the Group during the financial year under review.

8. Capital commitments

As at 31 December 2012

Property, plant and equipment:

Approved but not contracted for

Contracted but not provided for

Group
RM'000

34,863

4,866

Exclusive life insurance distribution agreement:

Contracted but not provided for

50,495

9. Related party transactions

Significant related party transactions are as follows:

	Transactions value Twelve months ended 31 December	
	2012 RM'000	2011 RM'000
Related companies*		
Reinsurance premium and commission	(253,096)	(139,708)

* 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, shares buy backs, shares cancellations, shares held as treasury shares and resale of treasury shares by the Group during the financial year under review.

12. Other disclosures

The Company has on 27 December 2012 entered into an advance agreement ("Advance Agreement") with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of EURO Equivalent of RM54.3 million to be made available by Allianz SE to AMB ("Advance"), upon the terms and conditions as stipulated in the Advance Agreement.

The Advance will be utilised by the Company for general working capital purposes and to finance the business expansion of its life operating subsidiary.

13. Subsequent events

Subsequent to the end of the financial year under review, the Company has entered into an agreement with its life subsidiary, Allianz Life Insurance Malaysia Berhad to make available subordinated loan of up to the aggregate principal amount of RM73.0 million upon the terms and conditions as stipulated in the facility agreement dated 7 January 2013.

14. 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 year ended 31 December 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	10,385	9,267	1,658,634	1,456,918	1,478,582	1,285,479	3,147,601	2,751,664
Inter-segment revenue	(4,176)	(17,626)	-	-	-	-	(4,176)	(17,626)
Segment profit	9,385	(2,236)	215,918	175,745	72,466	75,282	297,769	248,791
Segment assets	338,552	288,994	4,251,890	3,845,074	4,600,044	3,798,703	9,190,486	7,932,771
Segment liabilities	9,821	4,790	3,020,065	2,736,361	4,319,814	3,553,608	7,349,700	6,294,759

15. 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 4th Quarter 2012 versus YTD 4th Quarter 2011)

Operating revenue

The Group recorded an operating revenue of RM3.1 billion for the financial year ended 31 December 2012, an increase of 14.4% or RM395.9 million as compared to the preceding financial year ended 31 December 2011 of RM2.8 billion due to higher gross earned premiums and investment income by RM356.1 million and RM39.8 million respectively.

The general insurance operations recorded an operating revenue of RM1.7 billion for the financial year ended 31 December 2012, an increase of 13.8% or RM201.7 million as compared to the preceding financial year ended 31 December 2011 of RM1.5 billion due to the increase in gross earned premiums and investment income by RM190.3 million and RM11.4 million respectively.

The increase in gross earned premiums of the general insurance operations was due mainly to improved sales distribution capabilities with agencies contributing largely to the premium growth. The higher investment income was due mainly to bigger investment asset base.

The life insurance operations recorded an operating revenue of RM1.5 billion for the financial year ended 31 December 2012, an increase of 15.0% or RM193.1 million as compared to the preceding financial year ended 31 December 2011 of RM1.3 billion due to the increase in gross earned premiums and investment income by RM165.9 million and RM27.2 million respectively.

The increase in gross earned premiums of the life insurance business was mainly attributable to higher 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 RM297.8 million for the financial year ended 31 December 2012, an increase of 19.7% or RM49.0 million as compared to the preceding financial year ended 31 December 2011 of RM248.8 million.

The profit was mainly attributable to the general insurance operations which recorded a profit before tax of RM215.9 million for the financial year ended 31 December 2012; an increase of 22.9% or RM40.2 million as compared to the preceding financial year ended 31 December 2011 of RM175.7 million. The increase in profit was due mainly to higher underwriting profit of RM133.4 million as compared to the preceding financial year ended 31 December 2011 of RM103.3 million.

1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD 4th Quarter 2012 versus YTD 4th 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 RM72.5 million for the financial year ended 31 December 2012; a decrease of 3.7% or RM2.8 million as compared to the preceding financial year ended 31 December 2011 of RM75.3 million due mainly to higher claims incurred for medical products and new business strain in the financial year under review.

The investment holding segment registered a profit before tax of RM9.4 million as compared to a loss before tax of RM2.2 million in the preceding year due mainly to higher realised gains from investments for the financial year under review and the share of loss in an out of court settlement of a legal suit in the preceding year.

1.2 Results of the current quarter against the preceding quarter (4th Quarter 2012 versus 3rd Quarter 2012)

Operating revenue

The Group recorded an operating revenue of RM849.8 million for the quarter under review, an increase of 8.0% or RM63.3 million as compared to the preceding quarter ended 30 September 2012 of RM786.5 million due mainly to the increase in gross earned premiums by RM60.4 million from both general and life insurance operations.

The general insurance operations recorded an operating revenue of RM430.3 million for the quarter under review, an increase of 1.6% or RM6.8 million as compared to the preceding quarter of RM423.5 million due mainly to higher gross earned premiums.

The life insurance operations registered an operating revenue of RM416.7 million for the quarter under review, an increase of 15.6% or RM56.3 million as compared to the preceding quarter of RM360.4 million due mainly to higher gross earned premiums.

Profit before tax

The Group recorded a profit before tax of RM64.9 million for the quarter under review, a decrease of 9.7% or RM7.0 million as compared to the preceding quarter ended 30 September 2012 of RM71.9 million due mainly to lower profit from general insurance operations.

The profit before tax of general insurance operations for the quarter under review was lower by 20% or RM11.0 million as compared to the preceding quarter of RM55.0 million due mainly to lower underwriting results.

The profit before tax of life insurance operations for the quarter under review increased by 29.9 % or RM4.4 million as compared to the preceding quarter of RM14.7 million due mainly to surplus transfer from the life fund of RM8.4 million in the fourth quarter of 2012.

1.2 Results of the current quarter against the preceding quarter (4th Quarter 2012 versus 3rd Quarter 2012)

Profit before tax (continued)

The investment holding segment registered a profit before tax of RM1.8 million as compared to profit before tax of RM2.2 million in the preceding quarter due mainly to lower realised gains from investments in the fourth quarter of 2012.

2. Prospect for 2013

The outlook for the economy of Malaysia is anticipated to be stable supported by domestic demand and private investments. However, market environment is expected to be increasingly competitive and challenging with recent mergers and consolidation in the insurance industry.

Notwithstanding, the Group will strategise to improve its competitive position in both the general and life insurance operations by expanding distribution reach and focusing on underwriting margins and risk selection.

The Board is cautiously optimistic that the Group will continue to grow profitably in 2013.

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		Twelve months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	67,276	58,057	250,628	215,047
Dividend income	5,683	3,667	20,862	14,662
Accretion of discounts	1,064	1,668	5,187	6,402
Rental income	47	37	153	150
Other income	1,356	1,250	5,303	4,735
Amortisation of premiums	(2,748)	(2,279)	(9,863)	(8,565)
	72,678	62,400	272,270	232,431

ALLIANZ MALAYSIA BERHAD (12428-W)
5. Realised gains and losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	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	2,176	1,474	30,195	35,419
Quoted unit trusts in Malaysia	1,496	12	4,084	-
Unquoted unit trusts in Malaysia	-	-	114	-
Unquoted unit trusts outside Malaysia	-	29	-	-
Unquoted bonds of corporations in Malaysia	-	1,290	5,773	1,287
Unquoted debts securities in Malaysia	-	1	841	1,588
Structured deposits	-	-	1,763	-
Realised losses on disposal of investments in debt and equity securities:				
Quoted equity securities of corporations outside Malaysia	-	(1,984)	-	(2,648)
Quoted unit trusts outside Malaysia	-	(1)	-	(1)
Unquoted unit trusts outside Malaysia	(208)	-	(1,258)	(1,016)
Unquoted debts securities in Malaysia	(208)	-	-	-
Quoted bonds of corporations in Malaysia	-	(1,286)	-	(67)
Structured deposits	(2)	(3)	-	(3)
Put option	(1,450)	-	(1,450)	-
Realised gains/(losses) on disposal of plant and equipment	(3)	10	25	(60)
Realised losses on disposal of properties previously classified as held for resale	-	(1)	-	(232)
	1,801	(459)	44,948	34,267

6. Fair value gains or losses

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Fair value gains or losses:				
Investment properties	1,230	340	1,230	340
Financial assets at Fair Value Through Profit or Loss:				
- Held for Trading	5,283	13,615	13,698	558
- Designated upon initial recognition	(8,775)	1,165	(5,552)	19,983
Derivative financial assets - Held for Trading	4,158	-	7,196	-
	1,896	15,120	16,572	20,881

7. Profit before taxation

Profit before taxation for the financial year under review is arrived at after charging/(crediting):

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	2,874	2,844	11,442	11,349
Depreciation on property, plant and equipment	3,350	3,737	12,179	11,400
Insurance and other receivables:				
- Impairment loss written off	463	4,945	982	6,675
- Write back of allowance for impairment loss	(5,602)	(12,289)	(1,210)	(11,113)
- Impairment loss recovered	(153)	(68)	(373)	(233)
Impairment loss on investments	1,842	-	3,685	-
Interest expense	573	28	1,952	1,369
Property, plant and equipment written off	4	5	85	862
Unrealised foreign exchange gain	(155)	(835)	(125)	(726)
	1,896	15,120	16,572	20,881

Other than as disclosed in Note 6 and 7, there are no exceptional items for the year ended 31 December 2012.

8. Taxation

	Individual period		Cumulative period	
	Three months ended		Twelve months ended	
	31 December		31 December	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	64,916	50,746	297,769	248,791
Current tax expense				
Income tax	20,114	15,727	83,764	72,843
Deferred tax	745	1,751	6,400	12,312
Total income tax expense	20,859	17,478	90,164	85,155
Effective tax rate	32%	34%	30%	34%

The Group's consolidated effective tax rate for the financial year 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 year under review.

As at 31 December 2012

	Group RM'000
Finance lease liability (interest bearing)	63

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 earnings per ordinary share of the Group are calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2012	2011	2012	2011
Net profit attributable to shareholders	(RM'000)	44,057	33,268	207,605	163,636
Weighted average number of ordinary shares in issue	('000)	156,792	154,244	157,021	154,244
Basic earnings per ordinary share	(sen)	28.10	21.57	132.21	106.09

(b) Diluted earnings per ordinary share

Diluted earnings per ordinary share of the Group are calculated by dividing the net diluted profit attributable to shareholders by the diluted weighted average number of ordinary shares in issue.

		Individual period		Cumulative period	
		Three months ended		Twelve months ended	
		31 December		31 December	
		2012	2011	2012	2011
Net diluted profit attributable to shareholders	(RM'000)	44,057	33,268	207,605	163,636
Weighted average number of ordinary shares in issue	('000)	193,740	184,367	193,969	184,367
Effect of conversion of ICPS	('000)	187,570	189,778	187,570	189,778
Diluted weighted average number of ordinary shares in issue	('000)	381,310	374,145	381,539	374,145
Diluted earnings per ordinary share	(sen)	11.55	8.89	54.41	43.74

13. Dividend

For the financial year ended 31 December 2012, the Board is recommending a payment of a first and final dividend of 6.50 sen per ordinary share less 25% tax (2011: 5.25 sen less 25% tax) and a preference share dividend of 7.80 sen (2011: 6.30 sen) per ICPS under single tier system, for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

The entitlement and payment dates for the abovementioned dividends will be announced at a later date.

14. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 December 2012, into realised and unrealised profits, is as follow:

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Total retained earnings of the Group:		
- Realised	1,106,342	908,409
- Unrealised	(81,054)	(72,611)
Total retained earnings	<u>1,025,288</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
22 February 2013