

**ALLIANZ MALAYSIA BERHAD (12428-W)**

UNAUDITED QUARTERLY RESULTS  
FOR THE PERIOD ENDED 30 SEPTEMBER 2013

## ALLIANZ MALAYSIA BERHAD (12428-W)

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### Condensed consolidated statement of financial position as at 30 September 2013 - unaudited

	30 September 2013 RM'000	31 December 2012 RM'000
<b>Assets</b>		
Property, plant and equipment	115,190	111,727
Intangible assets	328,565	288,037
Investment properties	4,962	4,962
Deferred tax assets	12,126	6,255
Reinsurance assets	1,163,770	1,170,471
Investments	7,480,063	6,826,218
Deferred acquisitions costs	73,588	59,315
Insurance receivables	149,851	144,569
Other receivables, deposits and prepayments	164,205	116,373
Current tax assets	1,394	4,242
Cash and cash equivalents	815,404	458,317
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<b>Total assets</b>	<b>10,309,118</b>	<b>9,190,486</b>
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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 2013 - unaudited (continued)**

	<b>30 September 2013 RM'000</b>	<b>31 December 2012 RM'000</b>
<b>Equity</b>		
Share capital	159,881	158,636
Irredeemable Convertible Preference Shares ("ICPS")	186,325	187,570
Reserves	1,643,596	1,494,580
<b>Total equity attributable to owners of the Company</b>	<b>1,989,802</b>	<b>1,840,786</b>
<b>Liabilities</b>		
Insurance contract liabilities	7,353,706	6,562,995
Derivative financial liabilities	6,730	-
Other financial liabilities	12,342	3,853
Insurance payables	383,621	328,933
Other payables and accruals	315,656	242,555
Benefits and claims liabilities	102,669	84,813
Deferred tax liabilities	125,244	115,147
Current tax liabilities	19,348	11,404
<b>Total liabilities</b>	<b>8,319,316</b>	<b>7,349,700</b>
<b>Total equity and liabilities</b>	<b>10,309,118</b>	<b>9,190,486</b>
<b>Net asset per ordinary share (RM)</b>	<b>12.45</b>	<b>11.60</b>
<b>Diluted net asset per ordinary share (RM)</b>	<b>5.75</b>	<b>5.32</b>

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 2013 - unaudited**

	Note	Individual period		Cumulative period	
		Three months ended		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
		RM'000	RM'000	RM'000	RM'000
Operating revenue *		962,317	786,593	2,717,539	2,297,844
Gross earned premiums		879,261	716,548	2,483,857	2,098,252
Premiums ceded to reinsurers		(143,805)	(149,326)	(444,144)	(407,643)
<b>Net earned premiums</b>		<b>735,456</b>	<b>567,222</b>	<b>2,039,713</b>	<b>1,690,609</b>
Investment income	4	83,056	70,045	233,682	199,592
Realised gains and losses	5	16,910	14,287	58,726	43,147
Fair value gains and losses	6	(45,064)	(4,416)	(45,710)	14,676
Fee and commission income		23,557	24,821	72,326	75,060
Other operating income		(1,902)	1,743	3,092	4,892
<b>Other revenue</b>		<b>76,557</b>	<b>106,480</b>	<b>322,116</b>	<b>337,367</b>
Gross benefits and claim paid		(334,535)	(271,528)	(946,569)	(843,058)
Claims ceded to reinsurers		62,800	62,175	190,102	203,444
Gross change to contract liabilities		(217,368)	(196,934)	(603,386)	(537,545)
Change in contract liabilities ceded to reinsurers		11,175	6,365	(40,423)	(26,178)
<b>Net benefits and claims</b>		<b>(477,928)</b>	<b>(399,922)</b>	<b>(1,400,276)</b>	<b>(1,203,337)</b>
Fee and commission expense		(136,827)	(111,128)	(385,653)	(336,231)
Management expenses		(99,036)	(85,845)	(293,176)	(244,001)
Other operating expenditure		509	(4,880)	(12,118)	(11,554)
<b>Other expenses</b>		<b>(235,354)</b>	<b>(201,853)</b>	<b>(690,947)</b>	<b>(591,786)</b>
<b>Profit before taxation</b>	7	<b>98,731</b>	<b>71,927</b>	<b>270,606</b>	<b>232,853</b>
Tax expense	8	(24,578)	(18,806)	(80,558)	(69,305)
<b>Profit for the period</b>		<b>74,153</b>	<b>53,121</b>	<b>190,048</b>	<b>163,548</b>

\* 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 profit or loss and other comprehensive income  
for the period ended 30 September 2013 - unaudited**

	Individual period		Cumulative period	
	Three months ended 30 September		Nine months ended 30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Profit for the period attributable to owners of the Company</b>	74,153	53,121	190,048	163,548
<b>Other comprehensive income, net of tax</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Revaluation of property, plant and equipment	-	-	-	19,456
Tax effects thereon	-	-	-	(4,863)
	-	-	-	14,593
<b>Items that may be reclassified subsequently to profit or loss</b>				
Fair value of available-for-sale ("AFS") financial assets	(13,924)	(132)	(24,935)	(187)
Tax effects thereon	3,483	33	6,243	29
	(10,441)	(99)	(18,692)	(158)
<b>Total other comprehensive (loss)/income for the period, net of tax</b>	(10,441)	(99)	(18,692)	14,435
<b>Total comprehensive income for the period</b>	63,712	53,022	171,356	177,983
Profit attributable to: Owners of the Company	74,153	53,121	190,048	163,548
Total comprehensive income for the period attributable to: Owners of the Company	63,712	53,022	171,356	177,983
<b>Basic earnings per ordinary share (sen)</b>	46.42	33.87	119.41	104.43
<b>Diluted earnings per ordinary share (sen)</b>	19.34	13.91	49.64	42.85

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 2013 - 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
<b>At 1 January 2012</b>	156,428	189,778	424,823	10,529	20,656	244,204	591,594	1,638,012
Revaluation of property, plant and equipment	-	-	-	14,593	-	-	-	14,593
Fair value of AFS financial assets	-	-	-	-	(158)	-	-	(158)
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)
<b>At 30 September 2012</b>	157,872	188,334	424,823	25,122	20,498	274,293	706,938	1,797,880
<b>At 1 January 2013</b>	158,636	187,570	424,823	25,122	19,347	279,420	745,868	1,840,786
Revaluation of property, plant and equipment	-	-	-	-	-	-	-	-
Fair value of AFS financial assets	-	-	-	-	(18,692)	-	-	(18,692)
Total other comprehensive income for the period	-	-	-	-	(18,692)	-	-	(18,692)
Profit for the period	-	-	-	-	-	37,934	152,114	190,048
Total comprehensive income for the period	-	-	-	-	(18,692)	37,934	152,114	171,356
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares	1,245	(1,245)	-	-	-	-	-	-
Dividends to owners of the Company	-	-	-	-	-	-	(22,340)	(22,340)
<b>At 30 September 2013</b>	159,881	186,325	424,823	25,122	655	317,354	875,642	1,989,802

\* The Life non participating fund 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.

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

**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of cash flow  
for the period ended 30 September 2013 - unaudited**

	Period ended 30 September 2013 RM'000	Period ended 30 September 2012 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	270,606	232,853
Investment income	(233,682)	(199,592)
Realised loss recorded in profit or loss	(58,726)	(43,119)
Fair value gains/(loss) on investments recorded in profit or loss	45,710	(14,676)
Purchases of financial investments	(1,842,870)	(1,812,640)
Maturity of financial investments	367,000	322,710
Proceeds from sale of financial investments	814,524	750,661
Change in loans and receivables	3,624	6,693
Non-cash items:		
Change in fair value of AFS financial assets	(6,434)	(18,870)
Unrealised foreign exchange gain	1,607	30
Depreciation of property, plant and equipment	9,243	8,829
Amortisation of intangible assets	11,204	8,568
Gain on disposal of property, plant and equipment	-	(28)
Impairment loss on financial investments	-	1,843
Interest expense	3,562	1,379
Property, plant and equipment written off	8	81
Insurance and other receivables:		
- Impairment loss written back	4	519
- Allowance for impairment loss	745	4,392
- Impairment loss recovered	(165)	(220)
<b>Operating loss before changes in working capital</b>	<b>(614,040)</b>	<b>(750,587)</b>
Changes in working capital:		
Change in reinsurance assets	6,701	(50,515)
Change in insurance receivables	(6,086)	(63,928)
Change in other receivables, deposits and prepayments	8,333	(19,293)
Change in insurance contract liabilities	790,711	724,500
Change in deferred acquisition costs	(14,273)	(10,879)
Change in other financial liabilities	8,489	(249)
Change in insurance payables	54,688	29,124
Change in other payables	(39,746)	(324)
Change in benefits and claims liabilities	17,856	18,083
<b>Cash generated/(used in) from operating activities</b>	<b>212,633</b>	<b>(124,068)</b>

**ALLIANZ MALAYSIA BERHAD (12428-W)****Condensed consolidated statement of cash flow  
for the period ended 30 September 2013 - unaudited**

	<b>Period ended 30 September 2013 RM'000</b>	<b>Period ended 30 September 2012 RM'000</b>
<b>Cash flows from operating activities (continued)</b>		
Tax paid	(59,854)	(49,946)
Coupon interest received	218,076	181,409
Dividend received	19,908	15,179
	<hr/>	<hr/>
<b>Net cash generated from operating activities</b>	<b>390,763</b>	<b>22,574</b>
	<hr/>	<hr/>
<b>Cash flow from investing activities</b>		
Acquisition of intangible assets	(51,732)	(373)
Acquisition of property, plant and equipment	(13,269)	(11,029)
Proceeds from disposal of property, plant and equipment	555	716
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(64,446)</b>	<b>(10,686)</b>
	<hr/>	<hr/>
<b>Cash flow from financing activities</b>		
Dividends paid	(22,340)	(18,115)
Proceeds from holding company	54,300	-
Payment of loan interest to holding company	(1,155)	-
Repayment of finance lease liabilities	(35)	(88)
	<hr/>	<hr/>
<b>Net cash generated from/(used in) financing activities</b>	<b>30,770</b>	<b>(18,203)</b>
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>357,087</b>	<b>(6,315)</b>
Cash and cash equivalents at 1 January	458,317	511,892
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 September</b>	<b>815,404</b>	<b>505,577</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents comprise:-</b>		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	788,789	443,567
Cash and bank balances	26,615	62,010
	<hr/>	<hr/>
	<b>815,404</b>	<b>505,577</b>
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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 ("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 2013 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").

The Report does not include all of the information required for disclosure in the 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 2012.

**2. Changes in accounting policies**

The accounting policies and presentation adopted by the Group for the Report are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2012, except for the adoption of the following:

<b>MFRS and Amendments to MFRS</b>		<b>Effective date</b>
MFRS 10	Consolidated Financial Statements	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 (2011)	1 January 2013
MFRS 127	Separate Financial Statements (2011)	1 January 2013
Amendments to MFRS 7	Financial Instruments : 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 12	Disclosures of Interests in Other Entities - Transition Guidance	1 January 2013
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)	1 January 2013
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)	1 January 2013

**2. Changes in accounting policies (continued)**

Material impacts of initial application of a standard or an amendment are as below:

**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 initial application of the aforesaid applicable standards, amendments are not expected to have any material financial impacts to the current and prior periods' financial statements upon their first adoption.

**Standards issued but not yet effective**

<b>MFRS and Amendments to MFRS</b>		<b>Effective date</b>
Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities	1 January 2014
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1 January 2014
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting	1 January 2014
MFRS 9	Financial Instruments (2010)	1 January 2015
	Financial Assets and Financial Liabilities	
MFRS 9	Financial Instruments (2009)	1 January 2015
MFRS 9	Financial Instruments (2010)	1 January 2015
Amendments to MFRS 7	Financial Instruments: Disclosures – Mandatory Effective Dates of MFRS 9 and Transition Disclosures	1 January 2015

The Group will adopt the above standards or amendments when they become effective in the respective financial periods. These standards or amendments are not expected to have any material effect to the financial statements of the Group upon their initial application.

**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 financial period ended 30 September 2013.

**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 accumulated depreciation and accumulated impairment losses if any. There were no changes in the valuation of property, plant and equipment that were brought forward from the Group's audited financial statements for the year ended 31 December 2012.

**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 2013**

Property, plant and equipment:	<b>Group</b>
Approved but not contracted for	<b>RM'000</b>
Contracted but not provided for	27,304
	4,993
	<hr/>

**9. Related party transactions**

Significant related party transactions are as follows:

	<b>Transactions value</b>	
	<b>Nine months ended</b>	
	<b>30 September</b>	
	<b>2013</b>	<b>2012</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Related companies*</b>		
Reinsurance premium and commission	(158,448)	(173,021)
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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 the 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 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 the Report.

## ALLIANZ MALAYSIA BERHAD (12428-W)

### 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	Principal activities
Investment holding	Investment holding
General business	Underwriting of all classes of general insurance business
Life business	Underwriting of all life insurance and investment-linked business

#### Information about reportable segments for the period ended 30 September 2013 - unaudited

	Investment holding		General business		Life business		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	8,281	7,630	1,443,961	1,228,291	1,265,297	1,061,923	2,717,539	2,297,844
Inter-segment revenue	(43,995)	(3,450)	-	-	-	-	(43,995)	(3,450)
Segment (loss)/profit	(1,054)	7,482	209,421	171,947	62,239	53,424	270,606	232,853
Segment assets	406,614	328,755	4,696,259	4,215,263	5,206,245	4,349,148	10,309,118	8,893,166
Segment liabilities	64,740	9,000	3,366,547	3,012,225	4,888,029	4,074,061	8,319,316	7,095,286

**14. Dividend paid**

The first and final dividend of 6.50 sen per ordinary share less 25% tax (2012: 5.25 sen less 25% tax) and a preference share dividend of 7.80 sen (2012: 6.30) per ICPS under single tier system amounting to RM22,339,824 for the financial year ended 31 December 2012 was paid on 6 August 2013 to the entitled ordinary shareholders and ICPS holders of the Company, whose names appeared on the Register of Members and Record of Depositors on 15 July 2013.

**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 Third Quarter 2013 versus YTD Third Quarter 2012)****Operating revenue**

The Group recorded an operating revenue of RM2.72 billion for the nine months ended 30 September 2013, an increase of 18.3% or RM419.7 million as compared to the preceding financial period ended 30 September 2012 of RM2.30 billion due to higher gross earned premiums and investment income by RM385.6 million and RM34.1 million respectively.

The general insurance operations recorded an operating revenue of RM1.44 billion for the financial period ended 30 September 2013, an increase of 17.6% or RM215.7 million as compared to the preceding financial period ended 30 September 2012 of RM1.23 billion due to the increase in gross earned premiums and investment income by RM204.8 million and RM10.9 million respectively.

The increase in gross earned premiums of the general insurance operations was due mainly to higher premiums from agency and franchise sales. The higher investment income derived from bigger investment base.

The life insurance operations recorded an operating revenue of RM1.27 billion for the financial period ended 30 September 2013, an increase of 19.2% or RM203.4 million as compared to the preceding financial period ended 30 September 2012 of RM1.06 billion due to the increase in gross earned premiums and investment income by RM180.8 million and RM22.6 million respectively.

The increase in gross earned premiums of the life insurance operations was attributable to new premium growth from all distribution channels and strong renewal premium from agency sales. The higher investment income was due mainly to a bigger investment base.

**Profit before tax**

The Group recorded a profit before tax of RM270.6 million for the financial period ended 30 September 2013, an increase of 16.2% or RM37.7 million as compared to the preceding financial period ended 30 September 2012 of RM232.9 million.

The profit was mainly contributed by general insurance operations which recorded a profit before tax of RM209.4 million for the financial period ended 30 September 2013; an increase of 21.8% or RM37.5 million as compared to the preceding financial period ended 30 September 2012 of RM171.9 million. The higher profit was due mainly to higher net earned premiums and lower claims ratio for the financial period under review, generating an underwriting profit of RM134.1 million as compared to the preceding financial period ended 30 September 2012 of RM109.9 million.

**1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD Third Quarter 2013 versus YTD Third Quarter 2012)**

**Profit before tax (continued)**

The general insurance operations continued executing its strategic plans to sustain its profitable growth through portfolio diversification; improved operational effectiveness; and strengthening distribution capabilities to maintain its market leadership.

The life insurance operations recorded a higher profit before tax of RM62.2 million for the financial period ended 30 September 2013; an increase of 16.5% or RM8.8 million as compared to the preceding financial period ended 30 September 2012 of RM53.4 million due mainly to lower insurance contract liabilities arising from interest rate movement.

The investment holding segment registered a loss before tax of RM1.0 million as compared to a profit before tax of RM7.5 million in the preceding period due mainly to amortisation of intangible assets and lower realised investment gains for the financial period under review.

**1.2 Results of the current quarter against the preceding quarter (Third Quarter 2013 versus Second Quarter 2013)**

**Operating revenue**

The Group recorded an operating revenue of RM962.3 million for the quarter under review, an increase of 7.7% or RM69.2 million as compared to the preceding quarter ended 30 June 2013 of RM893.1 million due mainly to increase in gross earned premiums by RM64.9 million from the insurance operations.

The general insurance operations recorded an operating revenue of RM497.4 million for the quarter under review, an increase of 3.9% or RM18.9 million as compared to the preceding quarter of RM478.5 million due mainly to higher gross earned premiums.

The life insurance operations registered an operating revenue of RM462.1 million for the quarter under review, an increase of 12.2% or RM50.2 million as compared to the preceding quarter of RM411.9 million due mainly to higher gross earned premiums from bancassurance sales.

**Profit before tax**

The Group recorded a profit before tax of RM98.7 million for the quarter under review, an increase of 5.9% or RM5.5 million as compared to the preceding quarter ended 30 June 2013 of RM93.2 million due mainly to higher profit from life insurance operations.

The profit before tax of general insurance operations for the quarter under review was lower by 6.9% or RM4.9 million as compared to the preceding quarter of RM71.1 million due mainly to better claims result in the preceding quarter.

The profit before tax of life insurance operations for the quarter under review increased by 48.2% or RM10.7 million as compared to the preceding quarter of RM22.2 million due mainly to lower insurance contract liabilities arising from interest rate movement for the quarter under review.

**1.2 Results of the current quarter against the preceding quarter (Third Quarter 2013 versus Second Quarter 2013)****Profit before tax (continued)**

The investment holding segment registered a loss before tax of RM0.4 million as compared to loss before tax of RM0.1 million in the preceding quarter due mainly to lower cost incurred in the preceding quarter.

**2. Current year prospect**

The global economy is expected to grow at a slower pace of 2.9% in 2013. Nevertheless, for the whole of 2013, the Malaysia economy is expected to expand between 4.5% and 5.0% with growth supported by strong domestic economic activity. The insurance sector is anticipated to be more competitive with entry of foreign insurers and ongoing market consolidation. However, low insurance penetration rates combined with increasing consumer awareness and government initiatives will also create opportunities in the market.

The Group has delivered its third consecutive quarter of growth in sales and is expected to continue its sales momentum. The growth is driven by higher sales from both the general and life businesses. The Group will continue to execute its growth strategies. The general business will continue to emphasise on expanding its distribution network and having a balanced product portfolio while the life business will focus on building a multi distribution platform and sales of profitable investment-linked products.

The Group's prospects remain good as it continues to thrive on its strategic priorities. The Board is optimistic that the Group will deliver profitable growth in the remaining year.

**3. Profit forecast**

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

**4. Investment income**

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	74,217	62,976	213,274	183,352
Dividend income	7,943	6,166	19,908	15,179
Accretion of discounts	1,013	1,743	2,787	4,123
Rental income	38	30	114	106
Other income	1,599	1,361	4,459	3,947
Amortisation of premiums	(1,754)	(2,231)	(6,860)	(7,115)
	<u>83,056</u>	<u>70,045</u>	<u>233,682</u>	<u>199,592</u>

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

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Realised gains on disposal of investments in debt and equity securities:				
Malaysian government securities	716	-	4,537	4,861
Quoted equity securities of corporations in Malaysia	19,066	13,013	51,853	28,019
Quoted equity securities of corporations outside Malaysia	-	-	-	-
Quoted unit trusts in Malaysia	53	1,268	6,956	2,588
Quoted unit trusts outside Malaysia	-	114	-	114
Unquoted bonds of corporations in Malaysia	433		2,178	5,773
Unquoted debts securities in Malaysia	-	74	-	1,049
Structured deposits	-	1,765	-	1,765
Realised losses on disposal of investments in debt and equity securities:				
Quoted equity securities of corporations outside Malaysia	(2,545)	-	(4,111)	-
Unquoted unit trusts outside Malaysia	(213)	(311)	(935)	(1,050)
Unquoted bonds of corporations in Malaysia	-	(1,639)	-	-
Structured deposits	-	-	(2)	-
Put option	(600)	-	(1,750)	-
Realised gains on disposal of plant and equipment	-	3	-	28
	16,910	14,287	58,726	43,147



## ALLIANZ MALAYSIA BERHAD (12428-W)

### 6. Fair value gains or losses

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	RM'000	RM'000	RM'000	RM'000
	30 September		30 September	
	2013	2012	2013	2012
	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	(11,051)	2,480	9,887	8,415
- designated upon initial recognition	(26,011)	(1,803)	(38,081)	3,223
Derivative financial assets - Held for trading	7,972	(5,267)	(771)	3,038
Impairment loss on AFS financial assets	(15,974)	174	(16,745)	-
	<u>(45,064)</u>	<u>(4,416)</u>	<u>(45,710)</u>	<u>14,676</u>

### 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	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	3,799	2,868	11,204	8,568
Depreciation on property, plant and equipment	3,575	3,140	9,243	8,829
Insurance and other receivables:				
- Impairment loss written off	4	587	4	519
- Write (off)/back of allowance for impairment loss	(513)	2,217	745	4,392
- Impairment loss recovered	(55)	(68)	(165)	(220)
Impairment loss on investments	-	1,843	-	1,843
Interest expense	750	31	3,562	1,379
Property, plant and equipment written off	4	(9)	8	81
Unrealised foreign exchange (gain)/loss	(867)	114	1,607	30
	<u>(867)</u>	<u>114</u>	<u>1,607</u>	<u>30</u>

Other than as disclosed in Notes 6 and 7, there are no exceptional items for the financial period ended 30 September 2013.

**8. Taxation**

	Individual period		Cumulative period	
	Three months ended		Nine months ended	
	30 September		30 September	
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	98,731	71,927	270,606	232,853
<b>Tax expense</b>				
Income tax	21,227	24,018	70,646	63,650
Deferred tax	3,351	(5,212)	9,912	5,655
Total tax expense	24,578	18,806	80,558	69,305
Effective tax rate	25%	26%	30%	30%

The Group's consolidated effective tax rate for the financial year under review is higher than the statutory tax rate of 25% (2012: 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 the 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 30 September 2013**

	Group RM'000
Finance lease liability (interest bearing)	41
Amount due to holding company (interest bearing)	54,300

**11. Changes in material litigations**

There are no material litigations pending at the date of the 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		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
Profit attributable to ordinary shareholders	(RM'000)	74,153	53,121	190,048	163,548
Weighted average number of ordinary shares in issue	('000)	159,751	156,846	159,154	156,610
Basic earnings per ordinary share	(sen)	46.42	33.87	119.41	104.43

**(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		Nine months ended	
		30 September		30 September	
		2013	2012	2013	2012
Profit attributable to ordinary shareholders	(RM'000)	74,153	53,121	190,048	163,548
Weighted average number of ordinary shares in issue	('000)	159,751	156,846	159,154	156,610
Effect of conversion of ICPS, including bonus element	('000)	223,693	225,104	223,693	225,104
Diluted weighted average number of ordinary shares in issue	('000)	383,444	381,950	382,847	381,714
Diluted earnings per ordinary share	(sen)	19.34	13.91	49.64	42.85

**13. Dividend**

No dividend has been proposed or declared for the financial period under review (2012: Nil).

The first and final dividend of 6.50 sen per ordinary share less 25% tax (2012: 5.25 sen less 25% tax) and a preference share dividend of 7.80 sen (2012: 6.30) per ICPS under single tier system amounting to RM22,339,824 for the financial year ended 31 December 2012 was paid on 6 August 2013 to the entitled ordinary shareholders and ICPS holders of the Company, whose names appeared on the Register of Members and Record of Depositors on 15 July 2013.

**14. Disclosure of realised and unrealised earnings**

The breakdown of the retained earnings of the Group as at 30 September 2013, into realised and unrealised profits, is as follow:

	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000
Total retained earnings of the Group:		
- Realised	1,284,186	1,104,017
- Unrealised	(91,190)	(78,729)
Total retained earnings	<u>1,192,996</u>	<u>1,025,288</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 2012 was not qualified.

**BY ORDER OF THE BOARD**

Ng Siew Gek  
**Company Secretary**

Kuala Lumpur  
22 November 2013