

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 31 MARCH 2011

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated statement of financial position
As at 31 March 2011- unaudited**

	31 March 2011 RM'000	31 December 2010 RM'000
Assets		
Property, plant and equipment	87,491	87,423
Intangible assets	307,259	309,629
Investment properties	3,392	3,392
Deferred tax assets	-	2,074
Reinsurance assets	543,825	502,384
Investments	936,933	871,064
Other receivables, deposits and prepayments	13,208	13,864
	<hr/>	<hr/>
Total non-current assets	1,892,108	1,789,830
	<hr/>	<hr/>
Investments	3,922,707	3,762,277
Reinsurance assets	591,067	546,430
Deferred acquisitions costs	49,032	42,598
Insurance receivables	188,664	100,164
Other receivables, deposits and prepayments	74,570	106,733
Current tax assets	1,850	1,890
Assets classified as held for sale	2,440	2,440
Cash and cash equivalents	460,961	494,755
	<hr/>	<hr/>
Total current assets	5,291,291	5,057,287
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Total assets	7,183,399	6,847,117
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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 31 March 2011- unaudited (continued)**

	31 March 2011 RM'000	31 December 2010 RM'000
Equity		
Share capital	153,869	153,869
Irredeemable Convertible Preference Shares	192,337	192,337
Reserves	944,007	913,395
Total equity	1,290,213	1,259,601
Liabilities		
Insurance contract liabilities	2,983,210	2,033,555
Other financial liabilities	1,582	1,582
Insurance payables	17,556	16,589
Other payables and accruals	51,256	49,921
Deferred tax liabilities	9,342	10,427
Total non-current liabilities	3,062,946	2,112,074
Insurance contract liabilities	2,345,772	2,985,726
Other financial liabilities	19,061	2,013
Insurance payables	238,753	275,151
Other payables and accruals	165,623	146,906
Benefits and claims liabilities	53,766	59,545
Current tax liabilities	7,265	6,101
Total current liabilities	2,830,240	3,475,442
Total liabilities	5,893,186	5,587,516
Total equity and liabilities	7,183,399	6,847,117
Net asset per ordinary share (RM)	8.39	8.19
Diluted net asset per ordinary share (RM)	3.73	3.64

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

Condensed consolidated Income statement
For the three months ended 31 March 2011 - unaudited

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Operating revenue *	653,390	626,255	653,390	626,255
Gross earned premiums	599,988	584,792	599,988	584,792
Premiums ceded to reinsurers	(105,518)	(149,870)	(105,518)	(149,870)
Net earned premiums	494,470	434,922	494,470	434,922
Investment income	53,402	41,463	53,402	41,463
Realised gains and losses	33,833	16,690	33,833	16,690
Fair value gains and losses	2,829	(2,279)	2,829	(2,279)
Fee and commission income	16,429	24,949	16,429	24,949
Other operating income	1,302	3,730	1,302	3,730
Other revenue	107,795	84,553	107,795	84,553
Gross benefits and claim paid	(247,982)	(316,911)	(247,982)	(316,911)
Claims ceded to reinsurers	62,840	117,445	62,840	117,445
Gross change to contract liabilities	(262,702)	(104,567)	(262,702)	(104,567)
Change in contract liabilities ceded to reinsurers	71,868	(6,429)	71,868	(6,429)
Net benefits and claims	(375,976)	(310,462)	(375,976)	(310,462)
Fee and commission expense	(103,843)	(106,714)	(103,843)	(106,714)
Management expenses	(65,214)	(58,807)	(65,214)	(58,807)
Other operating expenditure	(4,363)	(7,746)	(4,363)	(7,746)
Other expenses	(173,420)	(173,267)	(173,420)	(173,267)
Profit before taxation	52,869	35,746	52,869	35,746
Taxation	(19,181)	(12,568)	(19,181)	(12,568)
Net profit for the period	33,688	23,178	33,688	23,178

* 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 three months ended 31 March 2011 - unaudited**

	Individual period		Cumulative period	
	Three months ended		Three months ended	
	31 March		31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	33,688	23,178	33,688	23,178
Other comprehensive income				
Fair value of available-for-sale financial assets	(4,101)	(4,851)	(4,101)	(4,851)
Income tax thereon	1,025	1,151	1,025	1,151
Other comprehensive income for the period	<u>(3,076)</u>	<u>(3,700)</u>	<u>(3,076)</u>	<u>(3,700)</u>
Total comprehensive income for the period	<u>30,612</u>	<u>19,478</u>	<u>30,612</u>	<u>19,478</u>
Basic earnings per ordinary share (sen)	<u>21.89</u>	<u>15.06</u>	<u>21.89</u>	<u>15.06</u>
Diluted earnings per ordinary share (sen)	<u>8.95</u>	<u>15.06</u>	<u>8.95</u>	<u>15.06</u>

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 three months ended 31 March 2011 - unaudited

	←		Attributable to owners of the Company				→	
	Share Capital	Preference Shares	Share Premium	Asset Revaluation Reserve	Fair Value Reserve	Retained Earnings	Total Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2010	153,869	-	5,529	5,397	9,669	344,889	519,353	
Total comprehensive income for the year	-	-	-	(42)	1,767	129,200	130,925	
Issuance of Irredeemable Convertible Preference Shares	-	192,337	419,294	-	-	-	611,631	
Dividends to shareholders	-	-	-	-	-	(2,308)	(2,308)	
At 31 December 2010	153,869	192,337	424,823	5,355	11,436	471,781	1,259,601	
Total comprehensive income for the period	-	-	-	-	(3,076)	33,688	30,612	
At 31 March 2011	153,869	192,337	424,823	5,355	8,360	505,469	1,290,213	

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

ALLIANZ MALAYSIA BERHAD (12428-W)

**Condensed consolidated cash flow statement
For the three months ended 31 March 2011 - unaudited**

	As at 31 March 2011 RM'000	As at 31 March 2010 RM'000
Cash flows from operating activities		
Profit before taxation	52,869	35,746
Adjustments for non-cash items	28,994	3,935
Operating profit before changes in working capital	<u>81,863</u>	<u>39,681</u>
Net change in operating assets	(452,669)	(175,975)
Net change in operating liabilities	339,789	270,059
Net cash (used in)/generated from operating activities	<u>(31,017)</u>	<u>133,765</u>
Net cash used in investing activities	<u>(2,777)</u>	<u>(1,917)</u>
Net cash used in financing activities	<u>-</u>	<u>(239)</u>
Net (decrease)/increase in cash and cash equivalents	(33,794)	131,609
Cash and cash equivalents at beginning of period	494,755	490,265
Cash and cash equivalents at end of period	<u>460,961</u>	<u>621,874</u>
Cash and cash equivalents comprise:-		
Fixed and call deposits (with maturity less than three months):		
Licensed banks	428,252	601,832
Cash and bank balances	32,709	20,042
	<u>460,961</u>	<u>621,874</u>

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

The condensed consolidated interim financial statements 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 three months period ended 31 March 2011 are unaudited and have been prepared in accordance with:

- (a) The requirements of Financial Reporting Standard ("FRS") 134: Interim Financial Reporting;
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"); and
- (c) Guidelines/circular issued by Bank Negara Malaysia ("BNM")
- (d) Financial Reporting Standards as modified by BNM ("Modified FRSs")

and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2010.

The notes attached to the quarterly condensed financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

2. Changes in accounting policies

The accounting policies adopted by the Group for the condensed consolidated interim financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following:

FRSs/Amendment to FRSs/Interpretations	Effective date
Amendments to FRS 132, Financial Instruments, Presentation- Classification of Rights Issues	1 March 2010
FRS 3, Business Combinations (revised)	1 July 2010
FRS 127, Consolidated and Separate Financial Statements (revised)	1 July 2010
Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138, Intangible Assets	1 July 2010
IC Interpretation 17, Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 July 2010
Amendments to FRS 7, Financial Instruments: Disclosure	
- Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18, Transfers of Assets from Customers	1 January 2011
Improvements to FRSs (2010)	1 January 2011

The initial application of the aforesaid standards, interpretations and amendments are not expected to have any material impact on the financial statements of the Group or any material changes in accounting policy.

3. Items of an unusual nature

The results of the Group for the quarter 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 significant changes in estimates of amounts reported in prior financial years that have a material effect in the quarter under review.

5. Seasonal or cyclical factors

The operations of the Group for the quarter 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. 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 2010.

7. Changes in group composition

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

8. Capital commitments

As at 31 March 2011

**Group
RM'000**

Property, plant and equipment:

Approved but not contracted for

13,564

Contracted but not provided for

2,774

9. Changes in contingent liabilities

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

10. 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 quarter under review.

11. Subsequent events

There were no material events subsequent to the end of the quarter under review that have not been reported in this report for the quarter ended 31 March 2011.

ALLIANZ MALAYSIA BERHAD (12428-W)

12. 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 three months ended 31 March 2011 - unaudited

	Investment holding		General business		Life business		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Operating revenue	2,089	1,281	348,616	357,173	302,685	267,801	653,390	626,255
Inter-segment revenue	(1,027)	(1,034)	-	-	-	-	(1,027)	(1,034)
Segment profit	778	(481)	46,737	33,309	5,354	2,918	52,869	35,746
Segment assets	282,750	207,954	3,595,302	3,204,448	3,305,347	2,622,124	7,183,399	6,034,526
Segment liabilities	9,339	523,053	2,578,500	2,355,326	3,305,347	2,622,257	5,893,186	5,500,636

13. Related parties

The related party transactions entered into by the Company and/or its subsidiaries with the related parties will be reported to Bursa Securities in accordance with the requirements of the Main Market Listing Requirements of Bursa Securities and the aggregate value of the recurrent related party transactions transacted during the financial year ending 31 December 2011 will be reported in the Annual Report of the Company. Accordingly, such transactions will not be reported in the quarterly results of the Company.

14. Dividend paid

There was no dividend paid by the Company during the quarter under review (2010 : Nil).

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 1st Quarter 2011 versus YTD 1st Quarter 2010)

Operating revenue

The Group recorded an increase in operating revenue by 4.3% or RM27.1 million. The increase was due mainly to the higher gross earned premiums and investment income of RM15.2 million and RM11.9 million respectively.

Profit before tax

Profit before tax of the Group increased by 47.9% or RM17.1 million. The increase was due mainly to the increase of underwriting profit from general insurance business.

The profit for the period under review excludes any surplus to be transferred from the Life fund to the Shareholders' fund which will be determined at the financial year end after the annual valuation of the Life fund's liabilities has been carried out by the appointed actuary.

1.2 Results of the current quarter against the preceding quarter (1st Quarter 2011 versus 4th Quarter 2010)

Operating revenue

Operating revenue decreased by 1.6% or RM10.4 million due mainly to lower gross earned premium from the life insurance business.

Profit before tax

The profit before tax of the Group for the quarter under review decreased by 14.5% or RM8.9 million due mainly to the transfer of surplus of RM15.0 million from the Life fund to the Shareholders' fund in the preceding quarter, which was performed on an annual basis.

ALLIANZ MALAYSIA BERHAD (12428-W)

2. Current year prospects

The Group continues with its initiatives to invest in distribution capabilities and to strengthen top line growth and profitability.

The Group is expected to grow in tandem with the economy and the insurance industry in Malaysia. The Board is of the view that the Group will perform well in 2011.

3. Profit forecast

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

4. Taxation

	Individual period		Cumulative period	
	Three months ended		three months ended	
	31 March		31 March	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	52,869	35,746	52,869	35,746
Current tax expense				
Income tax	15,216	13,349	15,216	13,349
Deferred tax	3,965	(781)	3,965	(781)
Total income tax expense	19,181	12,568	19,181	12,568
Effective tax rate	36%	35%	36%	35%

The Group's consolidated effective tax rate for the quarter ended 31 March 2011 was higher than the statutory tax rate of 25% (2010: 25%) due mainly to the following factors:

- The income tax for the Life fund is calculated based on the tax rate of 8% (2010 : 8%) of the assessable investment income net of allowable deductions for the period; and
- Effects of certain non-deductible expenses.

5. Unquoted investments and properties

There was no sale of property for the quarter ended 31 March 2011.

During the quarter under review, the Group disposed part of its unquoted investments and realised a gain of RM941,581.

ALLIANZ MALAYSIA BERHAD (12428-W)

6. Quoted investments

There was no purchase or disposal of quoted investments by the Group for the quarter ended 31 March 2011. The insurance subsidiaries are exempted from such disclosure.

7. Status of corporate proposal announced/implemented

The status of corporate proposals announced but not completed by the Company is as follows:-

Corporate Proposals	Status
Proposed acquisition of equity interest in Takaful Ikhlas Sdn. Bhd. by the Company ("Proposed Acquisition")	On 20 December 2010, the Company announced to Bursa Securities that Bank Negara Malaysia has via its letter dated 17 December 2010 granted approval to the Company to commence negotiation with MNRB Holdings Berhad ("MNRB") on the Proposed Acquisition. The negotiation between the Company and MNRB is currently in progress.

8. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the quarter ended 31 March 2011.

As at 31 March 2011

Finance lease liability (interest bearing)

Group
RM'000
576

9. Changes in material litigation

Save as disclosed below, the Group is not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant as at the date of this Quarterly Report and the Directors have no knowledge of any proceedings pending or threatened against the Group or of any facts likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

The status of the litigation instituted against Bright Mission Berhad (formerly known as Commerce Assurance Berhad ("CAB")) and Allianz General Insurance Company (Malaysia) Berhad ("AGIC") are disclosed below. For detailed litigation background, please refer to the Company's Quarterly Report for the financial quarter ended 31 March 2008.

Name of subsidiaries	Litigation	Status
Bright Mission Berhad	a) <i>Kuala Lumpur High Court Civil Suit No: S4-22-1194-2007 in the matter of Duopharma Properties Sdn Bhd, Michaelian (Malaysia) Sdn Bhd, Michaelian Holdings Sdn Bhd & Duomark Properties Sdn Bhd -v- Commerce International Group Berhad & CAB</i>	Earlier trial dates were vacated by the Court and at the last Case Management on 21 April 2011, the Court fixed 8 to 11 November 2011 as trial dates.

9. Changes in material litigation (continued)

Name of subsidiaries	Litigation	Status
Bright Mission Berhad	b) <i>Kuala Lumpur High Court Originating Summons No : S1-24-2518-2007 in the matter of CAB-v- Duomark Properties Sdn Bhd , Michaelian (Malaysia) Sdn Bhd & Michaelian Holdings Sdn Bhd</i>	Appeal by CAB for removal of the private caveats was heard and dismissed by the Court of Appeal on 18 November 2010. CAB's application for leave to appeal to the Federal Court against the decision of the Court of Appeal was heard and dismissed with costs on 7 March 2011. With the said dismissal, CAB has exhausted all its efforts to remove the private caveats and would have to wait for the private caveats to expire in approximately 2 years time. Accordingly, this matter will not be reported further.
AGIC	<i>High Court of Sabah & Sarawak Originating Summons No: T(24) 15 of 2006 in the matter of Lau Yee Fai @ Lau Yee Ming -v- CAB *</i>	The Appeal to the Court of Appeal filed by CAB against Judgment dated 13 November 2007 is fixed for hearing on 13 June 2011.

* Following the transfer of the entire general insurance business from CAB to AGIC with effect from 1 January 2009, this suit is now regarded as a suit against AGIC and shall be defended by AGIC and necessary documents will be filed in Court to record AGIC as the defendant of the same at the appropriate time.

10. Auditors' report on preceding annual financial statements

The auditors' report of the Group's audited financial statements for the financial year ended 31 December 2010 was not qualified.

11. Dividend

No dividend has been proposed or declared for the quarter under review (2010 : Nil).

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		Three months ended	
		31 March		31 March	
		2011	2010	2011	2010
Net profit attributable to shareholders	(RM'000)	33,688	23,178	33,688	23,178
Weighted average number of ordinary shares in issue	('000)	153,869	153,869	153,869	153,869
Basic earnings per ordinary share	(sen)	21.89	15.06	21.89	15.06

12. Earnings per ordinary share (continued)

(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		Three months ended	
		31 March		31 March	
		2011	2010	2011	2010
Net diluted profit attributable to shareholders	(RM'000)	33,688	23,178	33,688	23,178
Weighted average number of ordinary shares in issue	('000)	183,992	153,869	183,992	153,869
Effect of conversion of ICPS	('000)	192,337	-	192,337	-
Diluted weighted average number of ordinary shares in issue	('000)	376,329	153,869	376,329	153,869
Diluted earnings per ordinary share	(sen)	8.95	15.06	8.95	15.06

13. Disclosure of derivatives

There were no outstanding derivatives (including financial instruments designated as hedging instruments) for the financial period ended 31 March 2011.

14. Disclosure of gains/losses arising from fair value changes of financial liabilities

There were no gains/losses arising from fair value changes of the financial liabilities for the quarter ended 31 March 2011.

15. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 31 March 2011, into realised and unrealised profits, is as follow:

	As at 31.03.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings of the Group:		
- Realised	595,601	555,878
- Unrealised	(62)	3,611
	<u>595,539</u>	<u>559,489</u>
Less: Consolidation adjustments	(90,070)	(87,708)
Total retained earnings	<u>505,469</u>	<u>471,781</u>

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 Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purposes.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
18 May 2011