

ALLIANZ MALAYSIA BERHAD (12428-W)

UNAUDITED QUARTERLY RESULTS
FOR THE PERIOD ENDED 30 JUNE 2011

ALLIANZ MALAYSIA BERHAD (12428-W)

Condensed consolidated statement of financial position**As at 30 June 2011- unaudited**

	30 June 2011 RM'000	31 December 2010 RM'000
Assets		
Property, plant and equipment	91,234	87,423
Intangible assets	304,556	309,629
Investment properties	3,392	3,392
Deferred tax assets	-	2,074
Investments	1,005,521	858,550
Reinsurance assets	544,421	502,384
Other receivables, deposits and prepayments	12,376	13,864
Total non-current assets	1,961,500	1,777,316
Investments	4,250,096	3,774,791
Reinsurance assets	578,803	546,430
Deferred acquisitions costs	52,841	42,598
Insurance receivables	173,779	100,164
Other receivables, deposits and prepayments	81,557	106,733
Current tax assets	1,820	1,890
Assets classified as held for sale	-	2,440
Cash and cash equivalents	384,942	494,755
Total current assets	5,523,838	5,069,801
Total assets	7,485,338	6,847,117

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

ALLIANZ MALAYSIA BERHAD (12428-W)**Condensed consolidated statement of financial position**

As at 30 June 2011- unaudited (continued)

	30 June 2011 RM'000	31 December 2010 RM'000
Equity		
Share capital	153,869	153,869
Irredeemable Convertible Preference Shares	192,337	192,337
Reserves	976,703	913,395
Total equity	1,322,909	1,259,601
Liabilities		
Insurance contract liabilities	3,125,281	2,033,555
Other financial liabilities	1,582	1,582
Insurance payables	15,943	16,589
Other payables and accruals	52,907	49,921
Deferred tax liabilities	12,014	10,427
Total non-current liabilities	3,207,727	2,112,074
Insurance contract liabilities	2,433,140	2,985,726
Other financial liabilities	2,015	2,013
Insurance payables	220,675	275,151
Other payables and accruals	225,525	146,906
Benefits and claims liabilities	59,125	59,545
Current tax liabilities	14,222	6,101
Total current liabilities	2,954,702	3,475,442
Total liabilities	6,162,429	5,587,516
Total equity and liabilities	7,485,338	6,847,117
Net asset per ordinary share (RM)	8.60	8.19
Diluted net asset per ordinary share (RM)	3.82	3.64

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

ALLIANZ MALAYSIA BERHAD (12428-W)
Condensed consolidated income statement
For the six months ended 30 June 2011 - unaudited

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Operating revenue *	674,516	611,938	1,327,906	1,238,193
Gross earned premiums	617,523	569,074	1,217,511	1,153,866
Premiums ceded to reinsurers	(105,477)	(122,105)	(210,994)	(271,975)
Net earned premiums	512,046	446,969	1,006,517	881,891
Investment income	56,993	42,864	110,395	84,327
Realised gains and losses	4,225	9,778	38,058	26,468
Fair value gains and losses	2,325	(5,910)	5,155	(8,189)
Fee and commission income	15,304	20,673	31,733	45,622
Other operating income	2,115	(2,404)	3,417	1,326
Other revenue	80,962	65,001	188,758	149,554
Gross benefits and claim paid	(245,745)	(259,183)	(493,727)	(576,094)
Claims ceded to reinsurers	65,938	97,392	128,779	214,837
Gross change to contract liabilities	(190,039)	(136,709)	(452,740)	(241,276)
Change in contract liabilities ceded to reinsurers	8,122	(8,950)	79,990	(15,379)
Net benefits and claims	(361,724)	(307,450)	(737,698)	(617,912)
Fee and commission expense	(105,410)	(98,075)	(209,253)	(204,789)
Management expenses	(65,793)	(59,271)	(131,007)	(118,078)
Other operating expenditure	(6,278)	(3,564)	(10,641)	(11,310)
Other expenses	(177,481)	(160,910)	(350,901)	(334,177)
Profit before taxation	53,803	43,610	106,676	79,356
Taxation	(17,293)	(14,009)	(36,475)	(26,577)
Net profit for the period	36,510	29,601	70,201	52,779

* 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 six months ended 30 June 2011 - unaudited**

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	36,510	29,601	70,201	52,779
Other comprehensive income				
Fair value of available-for-sale financial assets	4,627	2,565	526	(2,286)
Revaluation/disposal of property, plant and equipment	5,425	-	5,425	-
Income tax thereon	(1,756)	(583)	(730)	568
Other comprehensive income for the period	<u>8,296</u>	<u>1,982</u>	<u>5,221</u>	<u>(1,718)</u>
Total comprehensive income for the period	<u>44,806</u>	<u>31,583</u>	<u>75,422</u>	<u>51,061</u>
Basic earnings per ordinary share (sen)	<u>23.73</u>	<u>19.24</u>	<u>45.62</u>	<u>34.30</u>
Diluted earnings per ordinary share (sen)	<u>9.70</u>	<u>19.24</u>	<u>18.65</u>	<u>34.30</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 six months ended 30 June 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	-	-	-	4,826	395	70,201	75,422	
Dividends to shareholders	-	-	-	-	-	(12,114)	(12,114)	
At 30 June 2011	153,869	192,337	424,823	10,181	11,831	529,868	1,322,909	

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 six months ended 30 June 2011 - unaudited

	As at 30 June 2011 RM'000	As at 30 June 2010 RM'000
Cash flows from operating activities		
Profit before taxation	106,676	79,356
Adjustments for non-cash items	8,556	(89,441)
Operating profit/(loss) before changes in working capital	<u>115,232</u>	<u>(10,085)</u>
Net change in operating assets	(840,984)	(485,771)
Net change in operating liabilities	630,217	380,772
Net cash used in operating activities	<u>(95,535)</u>	<u>(115,084)</u>
Net cash (used in)/generated from investing activities	<u>(2,164)</u>	<u>46</u>
Net cash (used in)/generated from financing activities	<u>(12,114)</u>	<u>35,846</u>
Net decrease in cash and cash equivalents	(109,813)	(79,192)
Cash and cash equivalents at beginning of period	494,755	490,265
Cash and cash equivalents at end of period	<u>384,942</u>	<u>411,073</u>
Cash and cash equivalents comprise:-		
Fixed and call deposits (with maturity less than three months):		
Licensed banks	368,993	395,131
Cash and bank balances	15,949	15,942
	<u>384,942</u>	<u>411,073</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 six months period ended 30 June 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 2, Group Cash-settled Share-based Payment Transactions	1 January 2011
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 and of the Company upon their first adoption.

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 accumulated depreciation and accumulated impairment losses. During the year, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to RM5,425,382.

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 30 June 2011

**Group
RM'000**

Property, plant and equipment:

Approved but not contracted for

10,454

Contracted but not provided for

4,406

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.

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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 six months ended 30 June 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	4,421	2,648	704,136	703,061	619,349	532,484	1,327,906	1,238,193
Inter-segment revenue	(15,557)	(2,056)	-	-	-	-	(15,557)	(2,056)
Segment profit	2,610	92	95,513	74,123	8,553	5,141	106,676	79,356
Segment assets	285,768	184,448	3,726,379	3,319,525	3,473,191	2,719,686	7,485,338	6,223,659
Segment liabilities	21,602	522,043	2,667,636	2,418,765	3,473,191	2,719,686	6,162,429	5,660,494

13. Dividend paid

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

For the financial year ended 31 December 2010, a first and final dividend of 3.50 sen per ordinary share less 25% tax (2010: 2.00 sen less 25% tax) and a preference share dividend of 4.20 sen per Irredeemable Convertible Preference Share under single tier system have been approved by the shareholders of the Company at the Company's Annual General Meeting held on 23 June 2011. The said dividends were paid to the entitled shareholders of the Company on 8 August 2011.

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 2nd Quarter 2011 versus YTD 2nd Quarter 2010)

Operating revenue

The Group recorded an operating revenue of RM1.3 billion for the 6 months ended 30 June 2011, an increase of 7.2% or RM89.7 million compared to the corresponding 6 months ended 30 June 2010 of RM1.2 billion. The increase was due mainly to the higher gross earned premiums and investment income by RM63.6 million and RM26.1 million respectively.

Profit before tax

The Group recorded profit before tax of RM106.7 million for the 6 months ended 30 June 2011, an increase of 34.4% or RM27.3 million compared to the corresponding 6 months ended 30 June 2010 of RM79.4 million. The increase was due mainly to the increase of underwriting profit from general insurance business.

The profit for the 6 months ended 30 June 2011 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 (2nd Quarter 2011 versus 1st Quarter 2011)

Operating revenue

The Group recorded an operating revenue of RM674.5 million for the current quarter, an increase of 3.2% or RM21.1 million compared to the preceding quarter of RM653.4 million. The increase was due mainly to higher gross earned premium from the life and general insurance businesses.

Profit before tax

The Group recorded profit before tax of RM53.8 million for the current quarter, an increase of 1.8% or RM0.9 million compared to the preceding quarter of RM52.9 million. The increase was due mainly to the higher underwriting profit from general insurance business.

2. Current year prospects

There are economic and financial uncertainties in the global markets. The Group continues with its initiatives to invest in distribution capabilities and to strengthen top line growth and profitability.

The Board is of the view that the Group will perform satisfactorily 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		Six months ended	
	30 June		30 June	
	2011	2010	2011	2010
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	53,803	43,610	106,676	79,356
Current tax expense				
Income tax	18,693	14,992	33,910	28,341
Deferred tax	(1,400)	(983)	2,565	(1,764)
Total income tax expense	17,293	14,009	36,475	26,577
Effective tax rate	32%	32%	34%	33%

The Group's consolidated effective tax rate for the quarter ended 30 June 2011 is higher than the statutory tax rate of 25% (2010: 25%) due mainly to the following :

- 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

For the quarter under review, the Group sold seven of its properties and incurred a nett loss of RM275,950. No other sale of property was recorded in the six months to 30 June 2011.

For the quarter under review, the Group disposed part of its unquoted investments and realised a gain of RM411,087. However, up to 30 June 2011, the Group incurred a net loss of RM530,494 in its disposals of unquoted investments.

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6. Quoted investments

There was no purchase or disposal of quoted investments by the Group for the period ended 30 June 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")	<p>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.</p> <p>On 6 July 2011, the Company announced that MNRB and the Company have mutually agreed to end the negotiation on the Proposed Acquisition.</p>

8. Borrowings and debts securities

Save as disclosed below, the Group has no other outstanding borrowings and debts securities for the quarter ended 30 June 2011.

As at 30 June 2011

Finance lease liability (interest bearing)

**Group
RM'000
482**

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 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. Subsequently, the Court had by letter dated 20 June 2011 instructed parties to attend mediation. The next court date is fixed on 15 September 2011 for mediation.

9. Changes in material litigation (continued)

Name of subsidiaries	Litigation	Status
AGIC	b) <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> *	On 16 June 2011, the Court of Appeal decided to consolidate the hearing of this appeal with another similar appeal. The Court will inform parties of the new hearing date by letter.

* 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).

For the financial year ended 31 December 2010, a first and final dividend of 3.50 sen per ordinary share less 25% tax (2010: 2.00 sen less 25% tax) and a preference share dividend of 4.20 sen per Irredeemable Convertible Preference Share under single tier system have been approved by the shareholders of the Company at the Company's Annual General Meeting held on 23 June 2011. The said dividends were paid to the entitled shareholders of the Company on 8 August 2011.

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		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
Net profit attributable to shareholders	(RM'000)	36,510	29,601	70,201	52,779
Weighted average number of ordinary shares in issue	('000)	153,869	153,869	153,869	153,869
Basic earnings per ordinary share	(sen)	23.73	19.24	45.62	34.30

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		Six months ended	
		30 June		30 June	
		2011	2010	2011	2010
Net diluted profit attributable to shareholders	(RM'000)	36,510	29,601	70,201	52,779
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)	9.70	19.24	18.65	34.30

13. Disclosure of derivatives

There were no outstanding derivatives (including financial instruments designated as hedging instruments) as at 30 June 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 current quarter and financial period ended 30 June 2011.

15. Disclosure of realised and unrealised earnings

The breakdown of the retained earnings of the Group as at 30 June 2011, into realised and unrealised profits, is as follow:

	As at 30.06.2011 RM'000	As at 31.12.2010 RM'000
Total retained earnings of the Group:		
- Realised	620,722	555,878
- Unrealised	1,575	3,611
	<u>622,297</u>	<u>559,489</u>
Less: Consolidation adjustments	(92,429)	(87,708)
Total retained earnings	<u>529,868</u>	<u>471,781</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 Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

BY ORDER OF THE BOARD

Ng Siew Gek
Company Secretary

Kuala Lumpur
 16 Aug 2011