

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

UNAUDITED QUARTERLY RESULTS  
FOR THE PERIOD ENDED 30 JUNE 2012

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

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

	<b>30 June 2012 RM'000</b>	<b>31 December 2011 RM'000</b>	<b>1 January 2011 RM'000</b>
<b>Assets</b>			
Property, plant and equipment	114,054	91,808	87,423
Intangible assets	293,568	299,014	309,629
Investment properties	3,732	3,732	3,392
Deferred tax assets	-	-	2,074
Investments	1,206,894	973,262	871,064
Reinsurance assets	505,494	544,946	502,384
Other receivables, deposits and prepayments	12,105	13,026	13,864
<b>Total non-current assets</b>	<b>2,135,847</b>	<b>1,925,788</b>	<b>1,789,830</b>
Investments	4,805,980	4,618,635	3,762,277
Derivative financial assets	10,905	-	-
Reinsurance assets	674,507	609,205	546,430
Deferred acquisitions costs	53,921	49,667	42,598
Insurance receivables	209,658	116,933	100,164
Other receivables, deposits and prepayments	79,179	97,406	106,733
Current tax assets	911	3,245	1,890
Assets classified as held for sale	-	-	2,440
Cash and cash equivalents	636,062	511,892	494,755
<b>Total current assets</b>	<b>6,471,123</b>	<b>6,006,983</b>	<b>5,057,287</b>
<b>Total assets</b>	<b>8,606,970</b>	<b>7,932,771</b>	<b>6,847,117</b>

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 2012- unaudited (continued)**

	<b>30 June 2012 RM'000</b>	<b>31 December 2011 RM'000</b>	<b>1 January 2011 RM'000</b>
<b>Equity</b>			
Share capital	156,476	156,428	153,869
Irredeemable Convertible Preference Shares	189,730	189,778	192,337
Reserves	1,398,654	1,291,806	1,126,306
<b>Total equity</b>	<b>1,744,860</b>	<b>1,638,012</b>	<b>1,472,512</b>
<b>Liabilities</b>			
Insurance contract liabilities	3,757,643	3,471,603	2,032,761
Other financial liabilities	1,463	1,463	1,582
Insurance payables	15,640	13,351	16,589
Other payables and accruals	56,282	56,964	49,921
Deferred tax liabilities	111,441	94,733	78,605
<b>Total non-current liabilities</b>	<b>3,942,469</b>	<b>3,638,114</b>	<b>2,179,458</b>
Insurance contract liabilities	2,315,203	2,156,629	2,705,431
Other financial liabilities	8,541	2,789	2,013
Insurance payables	349,875	269,831	275,151
Other payables and accruals	152,289	156,702	146,906
Benefits and claims liabilities	88,200	68,573	59,545
Current tax liabilities	5,533	2,121	6,101
<b>Total current liabilities</b>	<b>2,919,641</b>	<b>2,656,645</b>	<b>3,195,147</b>
<b>Total liabilities</b>	<b>6,862,110</b>	<b>6,294,759</b>	<b>5,374,605</b>
<b>Total equity and liabilities</b>	<b>8,606,970</b>	<b>7,932,771</b>	<b>6,847,117</b>
<b>Net asset per ordinary share (RM)</b>	<b>11.15</b>	<b>10.47</b>	<b>9.57</b>
<b>Diluted net asset per ordinary share (RM)</b>	<b>5.04</b>	<b>4.73</b>	<b>4.25</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 June 2012 - unaudited**

	Note	Individual period Three months ended 30 June		Cumulative period Six months ended 30 June	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating revenue *		771,757	674,450	1,511,251	1,327,840
Gross earned premiums		705,676	617,523	1,381,704	1,217,511
Premiums ceded to reinsurers		(125,930)	(105,476)	(258,317)	(210,994)
<b>Net earned premiums</b>		<b>579,746</b>	<b>512,047</b>	<b>1,123,387</b>	<b>1,006,517</b>
Investment income	4	66,081	56,927	129,547	110,329
Realised gains and losses	5	6,393	4,225	28,860	38,058
Fair value gains and losses	6	25,587	17,146	19,092	13,773
Fee and commission income		22,302	15,304	46,880	31,733
Other operating income		1,588	2,181	3,149	3,483
<b>Other revenue</b>		<b>121,951</b>	<b>95,783</b>	<b>227,528</b>	<b>197,376</b>
Gross benefits and claim paid		(284,366)	(245,745)	(571,530)	(493,727)
Claims ceded to reinsurers		51,315	65,939	141,269	128,779
Gross change to contract liabilities		(166,099)	(196,588)	(340,611)	(439,439)
Change in contract liabilities ceded to reinsurers		(21,734)	8,122	(32,543)	79,990
<b>Net benefits and claims</b>		<b>(420,884)</b>	<b>(368,272)</b>	<b>(803,415)</b>	<b>(724,397)</b>
Fee and commission expense		(112,160)	(105,410)	(221,744)	(209,253)
Management expenses		(83,383)	(70,240)	(158,156)	(135,454)
Other operating expenditure		(1,036)	(2,524)	(6,674)	(7,031)
<b>Other expenses</b>		<b>(196,579)</b>	<b>(178,174)</b>	<b>(386,574)</b>	<b>(351,738)</b>
<b>Profit before taxation</b>	<b>7</b>	<b>84,234</b>	<b>61,384</b>	<b>160,926</b>	<b>127,758</b>
Taxation	8	(26,851)	(20,066)	(50,499)	(42,243)
<b>Net profit for the period</b>		<b>57,383</b>	<b>41,318</b>	<b>110,427</b>	<b>85,515</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)**

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**Condensed consolidated statement of comprehensive income**

For the period ended 30 June 2012 - unaudited

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>Net profit for the period</b>	57,383	41,318	110,427	85,515
<b>Other comprehensive income</b>				
Fair value of available-for-sale financial assets	4,024	4,627	(55)	526
Revaluation of property, plant and equipment	18,655	5,425	19,459	5,425
Income tax thereon	(5,688)	(1,755)	(4,868)	(730)
<b>Other comprehensive income for the period</b>	16,991	8,297	14,536	5,221
<b>Total comprehensive income for the period</b>	74,374	49,615	124,963	90,736
Profit attributable to:				
Owners of the Company	57,383	41,318	110,427	85,515
Total comprehensive income for the period attributable to:				
Owners of the Company	74,374	49,615	124,963	90,736
<b>Basic earnings per ordinary share (sen)</b>	36.67	26.85	70.57	55.58
<b>Diluted earnings per ordinary share (sen)</b>	15.25	10.98	29.34	22.72

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



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

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

	Period ended 30 June 2012 RM'000	Period ended 30 June 2011 RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	160,926	127,758
Investment income	(129,547)	(110,329)
Realised gains recorded in income statement	(28,835)	(38,197)
Fair value on investments recorded in income statement	(19,092)	(13,773)
Purchases of financial investments	(1,049,820)	(1,113,361)
Maturity of financial investments	155,710	110,428
Proceeds from sale of financial investments	519,990	423,728
Change in loans and receivables	(146)	5,357
Unrealised foreign exchange gain	(84)	-
Non-cash items:		
Change in fair value changes	(11,190)	(5,336)
Amortisation of intangible assets	5,700	5,660
Depreciation of property, plant and equipment	5,689	4,834
Insurance and other receivables:		
- Impairment loss (written back)/off	(68)	804
- Allowance for impairment loss	2,175	1,659
- Impairment loss recovered	(152)	(155)
Property, plant and equipment written off	90	854
Interest expense	1,348	1,039
Gain on disposal of property, plant and equipment	(25)	(92)
Loss on disposal of properties previously classified as held for sale	-	231
<b>Operating loss before changes in working capital</b>	<b>(387,331)</b>	<b>(598,891)</b>
Changes in working capital:		
Change in contract liabilities	444,613	457,541
Change in other payables	(22,751)	105,934
Change in other financial liabilities	5,752	2
Change in benefits and claims liabilities	19,627	(421)
Change in other receivables, deposits and prepayments	18,063	9,852
Change in insurance receivables	(94,377)	(75,829)
Change in deferred acquisition costs	(4,254)	(6,434)
Change in insurance payables	82,334	(54,747)
Change in reinsurance assets	(25,850)	(15,606)
<b>Cash generated from/(used in) operating activities</b>	<b>35,826</b>	<b>(178,599)</b>

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

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

	<b>Period ended 30 June 2012 RM'000</b>	<b>Period ended 30 June 2011 RM'000</b>
<b>Cash flows from operating activities (continued)</b>		
Tax paid	(33,885)	(25,364)
Coupon interest received	119,686	102,512
Dividend received	9,013	7,036
Others	2,393	(924)
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<b>Net cash generated from/(used in) operating activities</b>	<b>133,033</b>	<b>(95,339)</b>
<b>Cash flow from investing activities</b>		
Acquisition of intangible assets	(254)	(587)
Acquisition of plant and equipment	(9,239)	(4,314)
Proceeds from disposal of property, plant and equipment	698	2,072
Proceeds from disposal of properties previously classified as held for resale	-	469
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	<b>(8,795)</b>	<b>(2,360)</b>
<b>Cash flow from financing activities</b>		
Dividends paid	-	(12,114)
Payment of finance lease liabilities	(68)	-
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<b>Net cash used in financing activities</b>	<b>(68)</b>	<b>(12,114)</b>
	<hr/>	<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>124,170</b>	<b>(109,813)</b>
Cash and cash equivalents at 1 January	511,892	494,755
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<b>Cash and cash equivalents at 30 June</b>	<b>636,062</b>	<b>384,942</b>
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<b>Cash and cash equivalents comprise:-</b>		
Fixed and call deposits with licensed financial institutions (with maturity less than three months)	530,083	368,993
Cash and bank balances	105,979	15,949
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	<b>636,062</b>	<b>384,942</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 ("Condensed Report") of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (AMB and its subsidiaries are collectively referred to as the "Group") as at and for the period ended 30 June 2012 have been prepared in accordance with:

- (a) The requirements of Malaysian Financial Reporting Standard ("MFRS") 134: Interim Financial Reporting and with IAS 34: Interim Financial Reporting; and
- (b) Paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

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

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

**2. Changes in accounting policies**

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

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

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

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

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

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

2. Changes in accounting policies (continued)

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

Condensed consolidated statements of financial position

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

Condensed consolidated statement of profit or loss  
for the period ended 30 June 2011

	RM'000
Profit after tax as previously reported under FRS	70,201
Effect of transition to MFRS	15,314
Restated profit after tax reported under MFRS	85,515

Condensed consolidated statements of changes in equity  
for the period ended 30 June 2011

Group	Period ended 30.6.2011 RM'000	Effect of transition to MFRS RM'000	Period ended 30.6.2011 RM'000
<b>Non-Distributable</b>			
Asset revaluation reserve	10,180	300	10,480
Fair value reserve	11,832	116	11,948
Life non participating surplus	-	227,809	227,809

2. Changes in accounting policies (continued)

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

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

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

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

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

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

3. Items of an unusual nature

The results of the Group for the 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 material changes in the basis used for accounting estimates for the current period ended 30 June 2012.

**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. During the quarter, the Group has revalued its property, plant and equipment and the revaluation surpluses amounting to:

	<b>Group RM'000</b>
Investment holding	18,655
General insurance operations	802
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**7. Changes in group composition**

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

**8. Capital commitments**

**As at 30 June 2012**

	<b>Group RM'000</b>
Property, plant and equipment:	
Approved but not contracted for	21,356
Contracted but not provided for	1,756
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**9. Related party transactions**

Significant related party transactions are as follows:

	<b>Transactions value Six months ended 30 June</b>	
	<b>2012</b>	<b>2011</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Related companies*</b>		
Reinsurance premium and commission	(144,827)	(87,057)
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\* Related companies are companies within the Allianz SE group.

**10. Changes in contingent liabilities**

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

**11. Debt and equity securities**

There were no issuance and repayment of debts and equity securities, share buy backs, share cancellations, share held as treasury shares and resale of treasury shares by the Group during the quarter under review.

**12. Subsequent events**

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

### 13. Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. For each of the strategic business units, the Chief Executive Officer of the Company reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

#### Reportable segments

Investment holding  
General business  
Life business

#### Principal activities

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

#### Information about reportable segments

For the period ended 30 June 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	4,921	4,393	804,829	704,136	701,501	619,311	1,511,251	1,327,840
Inter-segment revenue	(2,725)	(15,557)	-	-	-	-	(2,725)	(15,557)
Segment profit	5,384	2,609	116,838	95,513	38,704	29,636	160,926	127,758
Segment assets	342,686	285,767	4,096,587	3,726,379	4,167,697	3,473,265	8,606,970	7,485,411
Segment liabilities	31,953	21,602	2,934,499	2,667,636	3,895,658	3,245,039	6,862,110	5,934,277

#### **14. Dividend paid**

No dividend has been proposed or declared for the quarter under review (2011 : Nil).

For the financial year ended 31 December 2011, a 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 (2010: 4.20 sen) were approved by the shareholders of the Company at the Company's Annual General Meeting held on 27 June 2012. The said dividends 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 2nd Quarter 2012 versus YTD 2nd Quarter 2011)**

###### **Operating revenue**

The Group recorded an operating revenue of RM1,511.3 million for the six months period ended 30 June 2012, an increase of 13.8% or RM183.5 million as compared to the preceding period ended 30 June 2011 of RM1,327.8 million due to higher gross earned premiums and investment income by RM164.3 million and RM19.2 million respectively

The general insurance operations recorded an operating revenue of RM804.8 million for the period ended 30 June 2012, an increase of 14.3% or RM100.7 million as compared to the preceding period ended 30 June 2011 of RM704.1 million due to the increase in gross earned premiums and investment income by RM95.3 million and RM5.4 million respectively.

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

The life insurance operations recorded an operating revenue of RM701.5 million for the period 30 June 2012, an increase of 13.3% or RM82.2 million as compared to the preceding period ended 30 June 2011 due to the increase in gross earned premiums and investment income by RM69.1 million and RM13.1 million respectively.

The increase in gross earned premiums of the life insurance business was mainly attributable to its 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 RM160.9 million for the period ended 30 June 2012, an increase of 25.9% or RM33.1 million as compared to the preceding period ended 31 June 2011 of RM127.8 million.

The profit was mainly attributable to the general insurance operations which recorded a profit before tax of RM116.8 million for the period ended 30 June 2012; an increase of 22.3% or RM21.3 million as compared to the preceding period ended 30 June 2011 of

**1.1 Results of the current year-to-date ("YTD") against preceding YTD (YTD 2nd Quarter 2012 versus YTD 2nd Quarter 2011)**

**Profit before tax (continued)**

RM95.5 million. The increase in profit was due mainly to higher underwriting profit of RM74.0 million as compared to the preceding period ended 30 June 2011 of RM 61.7 million.

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 higher profit before tax of RM38.7 million for the period ended 30 June 2012; an increase of 30.7% or RM9.1 million as compared to the preceding period ended 30 June 2011 of RM29.6 million due mainly to higher surplus from the non participating fund.

The investment holding segment registered a profit before tax of RM5.4 million as compared to profit before tax of RM2.6 million in the preceding period due mainly to higher realised gains from investments.

**1.2 Results of the current quarter against the preceding quarter (2nd Quarter 2012 versus 1st Quarter 2012)**

**Operating revenue**

The Group recorded an operating revenue of RM771.8 million for the current quarter under review, an increase of 4.4% or RM32.3 million as compared to the preceding quarter of RM739.5 million due mainly to the increase in gross earned premiums by RM29.7 million from both general and life insurance operations.

The general insurance operations recorded an operating revenue of RM411.7 million for the current quarter under review, an increase of 4.7% or RM18.6 million as compared to the preceding quarter of RM393.1 million due mainly to higher gross earned premium.

The life insurance operations registered an operating revenue of RM357.4 million for the current quarter under review, a increase of 3.9% or RM13.3 million as compared to the preceding quarter of RM344.1 million due mainly to higher gross earned premium.

**Profit before tax**

The Group recorded a profit before tax of RM84.2 million for the current quarter under review, an increase of 9.8% or RM7.5 million as compared to the preceding quarter ended 31 March 2012 of RM76.7 million due mainly to higher surplus from life insurance operations, offset by lower profit before tax from general insurance operations.

The profit before tax of life insurance operations for the current quarter under review increased by 74.5% or RM10.5 million as compared to the preceding quarter of RM14.1 million due mainly to higher surplus from non participating fund.

The profit before tax of general insurance operations for the current quarter under review was lower by 5.3% or RM3.2 million as compared to the preceding quarter of RM60.0 million due mainly to higher expenses incurred for business growth initiatives. However, the year to date underwriting results remain profitable.

**1.2 Results of the current quarter against the preceding quarter (2nd Quarter 2012 versus 1st Quarter 2012)**

**Profit before tax (continued)**

The investment holding segment registered a profit before tax of RM2.9 million as compared to profit before tax of RM0.4 million in the preceding quarter due mainly to higher realised gains from investments in the current quarter.

**2. Current year prospect**

The global economy has improved slightly in the first half of 2012 aided by positive developments in the advanced economies but the financial and fiscal problems in the euro zone remains a downside risk.

Despite the challenging external environment, Malaysia's economy is expected to remain resilient and is projected to experience a steady pace of growth of 4 to 5 percent in 2012 supported by domestic demand.

Whilst the outlook for the Malaysian economy remains positive, the rapid consolidation of the insurance industry has brought about many new challenges. The industry is expected to experience intense competition.

The Group expects the growth to emanate predominantly from the general insurance business. Although growth of the automotive industry is expected to be moderate in 2012, the Group will continue to grow its motor insurance portfolio via the multi distribution channels and expand to other non-motor products by leveraging on its motor customers base.

The Group expects the remaining of the year to be challenging with regulatory changes, market merger and acquisition activities, and the softening growth rate of local economy. However, the Group will endeavour to retain its leadership position in the general insurance business by leveraging on its brand's strength and building on its extensive distribution reach and wide product range to maintain growth momentum.

The Group expects the business strategy and profit contributions to remain consistent. The general operations will continue to provide the majority of profit before tax in the medium term. For the life insurance operations, the Group anticipates steady surplus from the life insurance business.

The Board is of the view that the Group will continue its growth momentum in the second half of 2012.

**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		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Coupon interest income	61,231	51,192	120,376	102,538
Dividend income	4,675	5,271	9,013	7,036
Accretion of discounts	1,241	1,493	2,380	2,842
Rental income	38	37	76	76
Other income	1,362	1,066	2,586	2,128
Amortisation of premiums	(2,466)	(2,132)	(4,884)	(4,291)
	<u>66,081</u>	<u>56,927</u>	<u>129,547</u>	<u>110,329</u>



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

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	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	3,823	-	4,861	-
Quoted equity securities of corporations in Malaysia	2,165	3,765	15,006	39,000
Quoted unit trusts in Malaysia	460	-	1,320	-
Quoted bonds of corporations in Malaysia	190	-	5,647	-
Unquoted debts securities in Malaysia	(7)	36	2,740	36
Realised losses on disposal of investments in debt and equity securities:				
Quoted equity securities of corporations outside Malaysia	-	-	-	(272)
Quoted unit trusts outside Malaysia	(237)	393	(739)	(547)
Unquoted debts securities in Malaysia	-	2	-	-
Quoted bonds of corporations in Malaysia	-	(17)	-	(17)
Unquoted bonds of corporations in Malaysia	-	(3)	-	(3)
Realised (losses)/gains on disposal of plant and equipment	(1)	92	25	92
Realised losses on disposal of properties previously classified as held for resale	-	(43)	-	(231)
	<b>6,393</b>	<b>4,225</b>	<b>28,860</b>	<b>38,058</b>

**6. Fair value gains or losses**

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Fair value gains or losses:				
Financial assets at fair value through profit or loss:				
- held for trading	2,132	2,509	5,935	5,480
- designated upon initial recognition	13,233	14,637	5,026	8,293
Derivative financial assets - held for trading	10,222	-	8,305	-
Impairment loss on financial investments	-	-	-	-
Impairment loss on financial investments	-	-	(174)	-
	<b>25,587</b>	<b>17,146</b>	<b>19,092</b>	<b>13,773</b>

**7. Profit before taxation**

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

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Amortisation of intangible assets	2,858	2,837	5,700	5,660
Depreciation on property, plant and equipment	3,213	2,619	5,689	4,834
Allowance for impairment loss	456	(550)	2,175	1,659
Impairment loss recovered	(85)	(111)	(152)	(155)
Impairment loss (written back)/off	-	175	(68)	804
Interest expense	1,150	885	1,348	1,039
Property, plant and equipment written off	88	814	90	854
Unrealised foreign exchange loss/(gain)	123	-	(84)	-

Other than as disclosed in Note 6 and 7, there were no exceptional items for the quarter ended 30 June 2012.

**8. Taxation**

	Individual period		Cumulative period	
	Three months ended		Six months ended	
	30 June		30 June	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	84,234	61,384	160,926	127,758
<b>Current tax expense</b>				
Income tax	17,126	18,722	39,632	33,939
Deferred tax	9,725	1,344	10,867	8,304
Total income tax expense	26,851	20,066	50,499	42,243
Effective tax rate	32%	33%	31%	33%

The Group's consolidated effective tax rate for the current quarter 30 June 2012 was 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 quarter ended 30 June 2012.

**As at 30 June 2012**

	<b>Group RM'000</b>
Finance lease liability (interest bearing)	99

**11. Changes in material litigations**

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

**12. Earnings per ordinary share**

**(a) Basic earnings per ordinary share**

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

		<b>Individual period</b>		<b>Cumulative period</b>	
		<b>Three months ended</b>		<b>Six months ended</b>	
		<b>30 June</b>		<b>30 June</b>	
		<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
Net profit attributable to shareholders	(RM'000)	57,383	41,318	110,427	85,515
Weighted average number of ordinary shares in issue	('000)	156,474	153,869	156,474	153,869
Basic earnings per ordinary share	(sen)	36.67	26.85	70.57	55.58

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	
		2012	2011	2012	2011
Net diluted profit attributable to shareholders	(RM'000)	57,383	41,318	110,427	85,515
Weighted average number of ordinary shares in issue	('000)	186,597	183,992	186,597	183,992
Effect of conversion of ICPS	('000)	189,730	192,337	189,730	192,337
Diluted weighted average number of ordinary shares in issue	('000)	376,327	376,329	376,327	376,329
Diluted earnings per ordinary share	(sen)	15.25	10.98	29.34	22.72

13. Dividend

No dividend has been proposed or declared for the quarter under review (2011 : Nil).

For the financial year ended 31 December 2011, a 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 (2010: 4.20 sen) were approved by the shareholders of the Company at the Company's Annual General Meeting held on 27 June 2012. The said dividends were paid to the entitled shareholders of the Company on 8 August 2012, whose names appeared on the Register of Members and/or Record of Depositors on 16 July 2012.

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

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

	<b>As at 30.6.2012 RM'000</b>	<b>As at 31.12.2011 RM'000</b>
Total retained earnings of the Group:		
- Realised	1,014,520	908,409
- Unrealised	(86,410)	(72,611)
Total retained earnings	<u>928,110</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  
17 August 2012