



# BUILDING TRUST, DELIVERING VALUE

.....  
Protects You From A – Z





[allianz.com.my](https://allianz.com.my)

## BUILDING TRUST, DELIVERING VALUE

At Allianz, we're all about our customers. The first of our Renewal Agenda pillars - True Customer Centricity, expresses our commitment to superior customer experience and value. True to our word, our focus is and always will be on delivering financial products and service that matters most to our customers. By constantly providing effective solutions supported by mutually beneficial relationships, we champion customers' peace of mind and wellbeing. Allianz, always here by your side when it matters the most.

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# Allianz Overview

Allianz Malaysia

## VISION

### TO BE THE MOST RELIABLE PARTNER, ALWAYS DELIVERING IN MOMENTS OF TRUTH

We aim to be the most reliable partner for all our customers, agents and business partners.

To achieve this, we will constantly ensure that all targets and tasks are done with speed, accuracy and consistency.

The Vision also ensures that we maintain our integrity and honesty at all times, for only with trust and honesty, we will be able to reach and realise our Vision.

Allianz Malaysia

## MISSION

### INSURANCE SOLUTIONS FROM A – Z

Our Five

## CORE VALUES

Our values are who we are. These are and will be our guiding principles in achieving sustainable growth for our shareholders, customers, business partners, employees and society.



We create superior customer experience through innovative solutions that continuously exceed customers' expectations

**CUSTOMER FOCUS**



We deliver promises whilst maintaining highest ethical standards, integrity and honesty in all aspects of our business

**INTEGRITY**



We encourage, recognise and reward exceptional performance

**HIGH PERFORMANCE CULTURE**



We practise and promote clear, open and transparent communication

**OPEN COMMUNICATION**



We care and are committed to building the community through socially responsible initiatives

**CORPORATE RESPONSIBILITY**

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TO OUR STAKEHOLDERS

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CORPORATE GOVERNANCE AND ACCOUNTABILITY

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FINANCIAL STATEMENTS

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# 2017 KEY FINANCIAL FIGURES

**+2.6%**

**OPERATING  
REVENUE**

RM4,800.99 MILLION

**+2.5%**

**GROSS  
WRITTEN  
PREMIUM**

RM4,285.40 MILLION

## 2017 KEY FINANCIAL FIGURES

PROFIT  
BEFORE TAX

**RM437.28  
MILLION**

**-3.8%**

TOTAL  
ASSETS

**RM16,596.68  
MILLION**

**+11.3%**

SHAREHOLDERS'  
FUND

**RM3,135.51  
MILLION**

**+8.9%**

MARKET  
CAPITALISATION

**RM4,639.45  
MILLION**

**+32.5%**

BASIC EARNINGS  
PER ORDINARY SHARE

**165.33  
SEN**

**-9.3%**

PROPOSED DIVIDEND  
PER ORDINARY SHARE

**12.00  
SEN**

**+33.3%**

# Allianz at A Glance

Group	2017	2016	2015	2014	2013
Operating Revenue (RM million)	<b>4,800.99</b>	4,678.49	4,519.07	4,376.18	3,649.39
Gross Written Premium (RM million)	<b>4,285.40</b>	4,182.60	4,132.65	3,968.06	3,578.46
Profit Before Tax (RM million)	<b>437.28</b>	454.59	438.22	423.53	339.23
Total Assets (RM million)	<b>16,596.68</b>	14,912.38	13,617.42	12,176.05	10,758.76
Shareholders' Fund (RM million)	<b>3,135.51</b>	2,879.52	2,621.32	2,289.78	2,024.18
Market Capitalisation# (RM million)	<b>4,639.45</b>	3,500.25	3,635.16	4,057.33	4,170.54
Interim/Final gross dividend paid per share					
– Ordinary Share (sen)	<b>12.00</b>	9.00	6.50	5.00	2.50
– Preference Share (sen)	<b>14.40</b>	10.80	7.80	6.00	3.00
Total Amount Dividend Paid					
– Ordinary Share (RM'000)	<b>21,021.95</b>	15,633.66	11,006.00	8,374.41	4,169.20
– Preference Share (RM'000)	<b>24,627.29</b>	18,629.83	13,796.85	10,723.05	5,383.13
Return on Equity^	<b>9.6%</b>	11.3%	12.6%	13.7%	12.3%
Operating Revenue Growth	<b>2.6%</b>	3.5%	3.3%	19.9%	15.9%
Gross Written Premium Growth	<b>2.5%</b>	1.2%	4.1%	10.9%	19.9%
Basic Earnings per Ordinary Share (sen)	<b>165.33</b>	182.27	183.08	178.49	149.24
Diluted Earnings per Ordinary Share (sen)	<b>83.28</b>	90.80	89.37	85.89	58.94
Net Asset Value per Ordinary Share (RM)	<b>17.96</b>	16.58	15.48	13.67	12.59
Diluted Net Asset Value per Ordinary Share (RM)	<b>9.06</b>	8.32	7.57	6.61	5.85

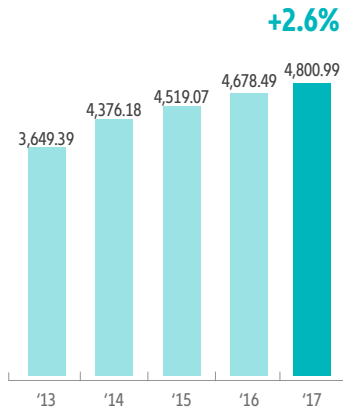
# The market capitalisation is a combination of ordinary and preference share.

^ The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund have been used in the computation of Return of Equity.

**OPERATING REVENUE**

RM MILLION

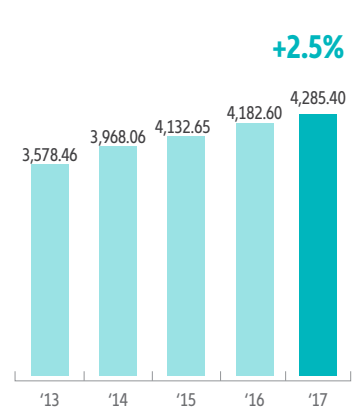
**4,800.99**



**GROSS WRITTEN PREMIUM**

RM MILLION

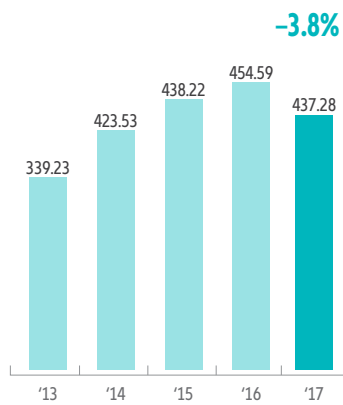
**4,285.40**



**PROFIT BEFORE TAX**

RM MILLION

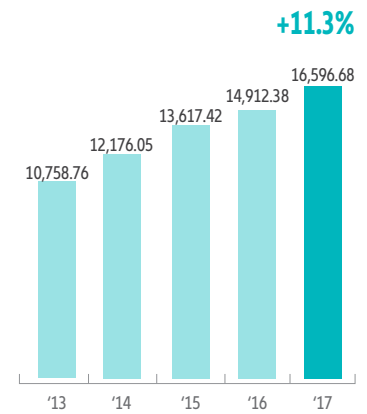
**437.28**



**TOTAL ASSETS**

RM MILLION

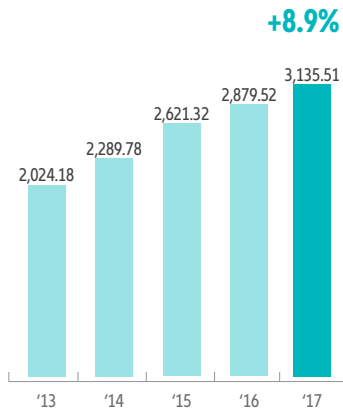
**16,596.68**



**SHAREHOLDERS' FUND**

RM MILLION

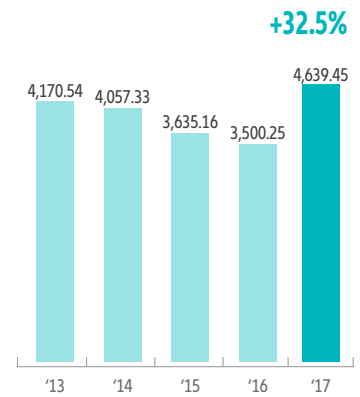
**3,135.51**



**MARKET CAPITALISATION**

RM MILLION

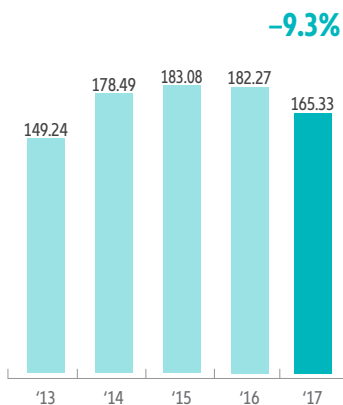
**4,639.45**



**BASIC EARNINGS PER ORDINARY SHARE**

SEN

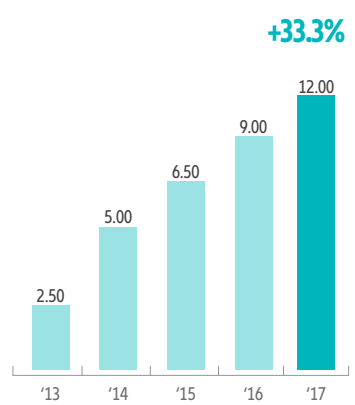
**165.33**



**DIVIDEND PER ORDINARY SHARE**

SEN

**12.00**





# HOLDING OURSELVES TO THE HIGHEST STANDARDS

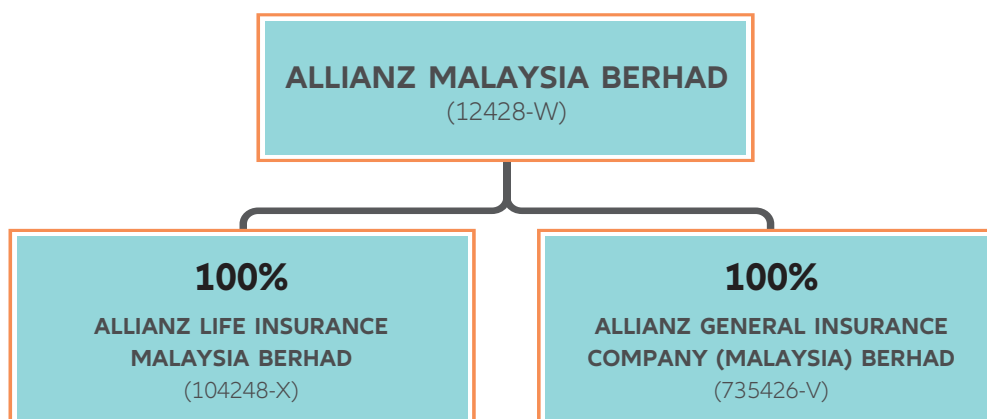
Focused in driving  
superior customer  
experience through  
products and services.







# Group Structure



## Corporate Information

STOCK EXCHANGE LISTING	CLASSES OF SHARE	STOCK CODE
Main Market of Bursa Malaysia Securities Berhad	Ordinary Share Irredeemable Convertible Preference Share	1163 1163PA

### COMPANY SECRETARY

**Ng Siew Gek**  
Email : [ng.siewgek@allianz.com.my](mailto:ng.siewgek@allianz.com.my)

### REGISTERED OFFICE

Level 29, Menara Allianz Sentral  
203, Jalan Tun Sambanthan  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Tel : 03-22641188/22640688  
Fax : 03-22641186

### HEAD OFFICE

Level 29, Menara Allianz Sentral  
203, Jalan Tun Sambanthan  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Tel : 03-22641188/22640688  
Fax : 03-22641199  
[allianz.com.my](http://allianz.com.my)

### SHARE REGISTRAR

**Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur  
Tel : 03-27839299  
Fax : 03-27839222  
Email : [is.enquiry@my.tricorglobal.com](mailto:is.enquiry@my.tricorglobal.com)

### Tricor's Customer Service Centre

Unit G-3, Ground Floor  
Vertical Podium  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

### AUDITORS

**KPMG PLT**  
Level 10, KPMG Tower  
8, First Avenue, Bandar Utama  
47800 Petaling Jaya  
Selangor  
Tel : 03-77213388  
Fax : 03-77213399

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- CORPORATE GOVERNANCE AND ACCOUNTABILITY
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# Renewal Agenda

## RENEWAL AGENDA LEVERS CREATE FOUNDATIONS FOR COMMANDING POSITIONS OF OUR BUSINESSES.

We want to drive the market by speeding up our change process, exploiting our global reach and tapping into our tremendous expertise.



# Allianz Group at A Glance



WITH OVER  
**140,000**  
EMPLOYEES WORLDWIDE,  
THE ALLIANZ GROUP  
SERVES  
**88 MILLION**  
CUSTOMERS IN MORE  
THAN  
**70 COUNTRIES.**



ON THE INSURANCE  
SIDE, ALLIANZ IS  
**MARKET LEADER**  
IN THE GERMAN MARKET  
AND HAS A STRONG  
INTERNATIONAL  
PRESENCE.



IN FISCAL YEAR 2017  
THE ALLIANZ GROUP  
**ACHIEVED**  
TOTAL REVENUES  
OF APPROXIMATELY  
**126.1 BILLION**  
EUROS.



ALLIANZ IS ONE OF THE  
**WORLD'S LARGEST**  
ASSET MANAGERS, WITH  
THIRD-PARTY ASSETS OF  
**1,448 BILLION**  
EUROS UNDER  
MANAGEMENT  
AT YEAR END 2017.

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# Nationwide Presence



## CUSTOMER CONTACT/ SERVICE CENTRE

Ground Floor, Block 2A  
Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-22640700  
Fax : 03-22636000  
Toll Free : 1-300-88-1028  
Website : allianz.com.my

### ONE ALLIANZ CALL CENTRE

Level 10, Menara Allianz Sentral  
203, Jalan Tun Sambanthan  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Wilayah Persekutuan  
Toll Free : 1-300-300-388

## CENTRAL REGION

### CENTRAL REGION PROCESSING HUB

Level 10, Block 3A Plaza Sentral  
Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-22641188  
Fax : 03-22647710

### 1 KUALA LUMPUR

Wisma Allianz  
No. 33, Jalan Gereja  
50100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-20501188  
Fax : 03-20789918

### 2 PETALING JAYA

No. 15, Jalan 8/1D, Section 8  
Petaling Jaya 46050  
Selangor Darul Ehsan  
Tel : 03-79564629/ 79564621  
Fax : 03-79548210/ 79556727

## Nationwide Presence

### ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

**3 KLANG**  
No. 11, Jalan Tiara 2D/KU1  
Bandar Baru Klang  
Klang 41150  
Selangor Darul Ehsan  
Tel : 03-33429008/ 33420639  
Fax : 03-33421901

**4 KAJANG**  
No. 17 & 17A, Jalan M/J1  
Taman Majlis Jaya, Sungai Chua  
Kajang 43000  
Selangor Darul Ehsan  
Tel : 03-87339078/ 87337395  
Fax : 03-87336985

**5 MALURI**  
No. 27, Jalan Jejaka 7  
Taman Maluri  
55100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-92825587  
Fax : 03-92825629

**6 KEPONG**  
No. 1, Jalan Prima 9  
Pusat Niaga Metro Prima  
Kepong 52100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-62586888  
Fax : 03-62592554

**7 SEREMBAN**  
No. 44, Jalan S2 B18, Biz Avenue  
Seremban 2  
Seremban 70300  
Negeri Sembilan Darul Khusus  
Tel : 06-6013636  
Fax : 06-6013344

#### PERAK STATE

**8 IPOH**  
Unit No. A-G-1 & A-1-1  
Ground & 1st Floor  
Greentown Square  
Jalan Dato' Seri Ahmad Said  
Ipoh 30450  
Perak Darul Ridzuan  
Tel : 05-2549150/ 2555103  
Fax : 05-2542988

**9 TELUK INTAN**  
No. 77-G, Ground Floor  
Jalan Intan 4  
Bandar Baru Teluk Intan 36000  
Perak Darul Ridzuan  
Tel : 05-6215882/ 6217731  
05-6217732  
Fax : 05-6225229

**10 TAIPING**  
No. 62, Ground Floor  
Jalan Barrack  
Taiping 34000  
Perak Darul Ridzuan  
Tel : 05-8068688/ 8068976  
Fax : 05-8088975

## NORTHERN REGION

#### NORTHERN REGION

##### PROCESSING HUB

No. 6770, Ground & 2nd Floor  
Jalan Kg. Gajah  
Butterworth 12200 Penang  
Tel : 04-3333188  
Fax : 04-3310572

#### NORTHERN REGION

##### CLAIM HUB

No. 6770, Ground & 2nd Floor  
Jalan Kg. Gajah  
Butterworth 12200 Penang  
Tel : 04-3311488  
Fax : 04-3319788

**11 PENANG**  
Ground, Mezzanine  
and 1st Floor  
No.1 China Street  
Georgetown 10200  
Penang  
Tel : 04-2519188  
Fax : 04-2519288

**12 BUKIT MERTAJAM**  
No. 486, Ground  
1st & 3rd Floor  
No. 487, Ground Floor  
Jalan Permatang Rawa  
Bandar Perda  
Bukit Mertajam 14000 Penang  
Tel : 04-5378328/ 5371628  
Fax : 04-5374398/ 5371108

**13 ALOR SETAR**  
No. 300 & 301  
Jalan Lumpur  
Alor Setar 05100  
Kedah Darul Aman  
Tel : 04-7328575/ 7334655  
Fax : 04-7337868

**14 SUNGAI PETANI**  
No. 62B, 1st, 2nd & 3rd Floor  
Jalan Pengkalan, Pekan Baru  
Sungai Petani 08000  
Kedah Darul Aman  
Tel : 04-4258282/ 4252894  
04-4252895  
Fax : 04-4252893

**15 LANGKAWI**  
No. 3, 1st Floor  
Jalan Pandak Mayah 4  
Pusat Bandar Kuah  
07000 Langkawi  
Tel : 04-9666821  
Fax : 04-9666820

## SOUTHERN REGION

#### SOUTHERN REGION CLAIM HUB

##### JOHOR BAHRU

No. 88-B, Jalan Serampang  
Taman Pelangi  
Johor Bahru 80400  
Johor Darul Takzim  
Tel : 07-3330311  
Fax : 07-3330300

**16 MELAKA**  
No. 374, Jalan Melaka Raya 6  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-2833821  
Fax : 06-2844198

**17 JOHOR BAHRU**  
No. 84 & 86, Jalan Serampang  
Taman Pelangi  
Johor Bahru 80400  
Johor Darul Takzim  
Tel : 07-3340166/ 3340160  
Fax : 07-3340167

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**18 KLUANG**

No. 5, Jalan Persiaran Yayasan  
Kluang 86000  
Johor Darul Takzim  
Tel : 07-7723255/ 7732530  
Fax: 07-7738097

**19 SEGAMAT**

Lot No. 27, Ground Floor  
Jalan Genuang Perdana  
Taman Genuang Perdana  
Segamat 85000  
Johor Darul Takzim  
Tel : 07-9434117/ 9434317  
Fax: 07-9434517

**20 BATU PAHAT**

No. 1-2, 1-2A, Ground & 1st Floor  
Jalan Maju 1, Taman Maju  
Batu Pahat 83000  
Johor Darul Takzim  
Tel : 07-4338166  
Fax: 07-4332166

**21 MUAR**

No. 1, Ground Floor  
Pusat Dagangan Bakri  
Jalan Bakri, Muar 84000  
Johor Darul Takzim  
Tel : 06-9544536  
Fax: 06-9545684

**EAST COAST REGION****22 TEMERLOH**

No. 6, Pusat Komersil Temerloh  
Jalan Dato' Bahaman 3  
Temerloh 28000  
Pahang Darul Makmur  
Tel : 09-2969292  
Fax: 09-2960254

**23 KUANTAN**

No. 4 & 4a, 6 & 6a  
(Construction Town)  
Jalan Putra Square 6  
Putra Square  
Kuantan 25200  
Pahang Darul Makmur  
Tel : 09-5162992/ 5162552  
Fax: 09-5159442

**24 RAUB**

No. 9-1, 1st Floor  
Pusat Perniagaan Raub  
Raub 27600  
Pahang Darul Makmur  
Tel : 09-3557360  
Fax: 09-3557363

**25 KUALA TERENGGANU**

PT 3357 P,  
Jalan Sultan Zainal Abidin  
Kuala Terengganu 20000  
Terengganu Darul Iman  
Tel : 09-6223678/ 6223233  
Fax: 09-6301233/ 6318516

**26 KOTA BHARU**

Lot 1184, Jalan Kebun Sultan  
Kota Bharu 15350  
Kelantan Darul Naim  
Tel : 09-7481196/ 7444566  
Fax: 09-7446766

**SABAH REGION****27 KOTA KINABALU**

Lot 29 & 30, Block E  
Sedco Complex  
Jalan Albert Kwok  
Locked Bag 69  
Kota Kinabalu 88000 Sabah  
Tel : 088-221397/ 221606  
Fax: 088-224870

**28 LAHAD DATU**

Level 1 & Level 2, MDLD 7951  
Lot 7 Linear Block B  
Harbour Town  
Lahad Datu 91100 Sabah  
Tel : 089-863878  
Fax: 089-862848

**29 SANDAKAN**

Lot 8, Ground & 1st Floor  
Lot 7, 1st & 2nd Floor, Block 2  
Bandar Indah  
Mile 4 North Road  
W.D.T. No. 291  
Sandakan 90000 Sabah  
Tel : 089-211054/ 217197  
Fax: 089-211052

**30 TAWAU**

TB320, Ground, 1st & 2nd Floor  
Block 38, Fajar Complex  
Jalan St. Patrick, W.D.T. No. 33  
Tawau 91009 Sabah  
Tel : 089-779055/ 772976  
Fax: 089-763015

**31 LABUAN**

U0074, 1st Floor, Jalan Merdeka  
87008 Wilayah  
Persekutuan Labuan  
Tel : 087-422249  
Fax: 087-422244

**SARAWAK REGION****SARAWAK REGION OFFICE****MIRI**

Lot 3544, 2nd Floor  
Lot 3545, Ground, 1st & 2nd Floor  
Section 5, M.C.L.D Jalan Miri-Pujut  
Miri 98000 Sarawak  
Tel : 085-324921  
Fax: 085-324754

**32 MIRI**

Lot 3544, 2nd Floor  
Lot 3545, Ground, 1st & 2nd Floor  
Section 5, M.C.L.D Jalan Miri-Pujut  
Miri 98000 Sarawak  
Tel : 085-324901  
Fax: 085-324752/ 324753

**33 SIBU**

Lot 1725, No. 12-I  
Jalan Kampung Datu  
Sibu 96000 Sarawak  
Tel : 084-332469/ 343205  
Fax: 084-332470

**34 KUCHING**

Sublot 3, Block 10  
1st, 2nd & 3rd Floor  
Jalan Laksamana Cheng Ho  
Kuching Central Land District  
Kuching 93350 Sarawak  
Tel : 082-417842/ 413849  
Fax: 082-424624

**35 SARIKEI**

No. 11, Ground Floor and 1st Floor  
Jalan Nenas  
Sarikei 96100 Sarawak  
Tel : 084-652577/ 651877  
Fax: 084-653908



## Nationwide Presence

### ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

## CUSTOMER CONTACT/SERVICE CENTRE

Ground Floor, Block 2A  
Plaza Sentral  
Jalan Stesen Sentral 5  
Kuala Lumpur Sentral  
50470 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-22640700  
Fax : 03-22636000  
Toll Free : 1-300-88-1028  
Website : allianz.com.my

## CENTRAL REGION

- 1 PETALING JAYA**  
No. 15, Ground Floor  
Jalan 8/1D, Section 8  
Petaling Jaya 46050  
Selangor Darul Ehsan  
Tel : 03-79551605  
Fax : 03-79551607
- 2 DESA JAYA**  
Wisma Allianz Life  
No. 11-14, Jalan 53  
Desa Jaya Commercial Centre  
Taman Desa  
Kepong 52100  
Selangor Darul Ehsan  
Tel : 03-62758000  
Fax : 03-62757100
- 3 KLANG**  
No. 46, Jalan Tiara 2C  
Bandar Baru Klang  
Klang 41150  
Selangor Darul Ehsan  
Tel : 03-33466033  
Fax : 03-33453288
- 4 SEREMBAN**  
No. 44, Ground Floor  
Jalan S2 B18, Biz Avenue  
Seremban 2  
Seremban 70300  
Negeri Sembilan Darul Khusus  
Tel : 06-6011007  
Fax : 06-6011099

## NORTHERN REGION

- 5 PENANG**  
Ground & 1st Floor  
No. 1 China Street  
Georgetown 10200  
Penang  
Tel : 04-2519899  
Fax : 04-2519699
- 6 BUKIT MERTAJAM**  
No. 487, Jalan Permatang Rawa  
Bandar Perda, Bukit Mertajam  
14000 Penang  
Tel : 04-5377231  
Fax : 04-5378231
- 7 ALOR SETAR**  
No. 301  
Ground & 2nd Floor  
Jalan Lumpur  
Alor Setar 05100  
Kedah Darul Aman  
Tel : 04-7345091  
Fax : 04-7317271
- 8 SUNGAI PETANI**  
No. 62B, 1st Floor  
Jalan Pengkalan, Pekan Baru  
Sungai Petani 08000  
Kedah Darul Aman  
Tel : 04-4256863  
Fax : 04-4256861
- 9 IPOH**  
Unit No. A-G-1 & A-2-1  
Ground & 2nd Floor  
Greentown Square  
Jalan Dato' Seri Ahmad Said  
Ipoh 30450  
Perak Darul Ridzuan  
Tel : 05-2419752  
Fax : 05-2416898

## SOUTHERN REGION

- 10 JOHOR BAHRU**  
No. 86, Jalan Serampang  
Taman Pelangi  
Johor Bahru 80400  
Johor Darul Takzim  
Tel : 07-3325981  
Fax : 07-3326462
- 11 KLUANG**  
No. 5, Ground Floor  
Jalan Persiaran Yayasan  
Kluang 86000  
Johor Darul Takzim  
Tel : 07-7715588  
Fax : 07-7738097
- 12 BATU PAHAT**  
No. 1-2 & 1-2B  
Ground & 2nd Floor  
Jalan Maju 1, Taman Maju  
Batu Pahat 83000  
Johor Darul Takzim  
Tel : 07-4343313  
Fax : 07-4332166
- 13 MUAR**  
No. 1, Ground, 1st & 2nd Floor  
Pusat Dagangan Bakri  
Jalan Bakri, Muar 84000  
Johor Darul Takzim  
Tel : 06-9545689  
Fax : 06-9545684
- 14 MELAKA**  
No. 374, Ground & 2nd Floor  
Jalan Melaka Raya 6  
Taman Melaka Raya  
75000 Melaka  
Tel : 06-2823377  
Fax : 06-2820793

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## EAST COAST REGION

### 15 TEMERLOH

No. 6, Pusat Komersil Temerloh  
Jalan Dato' Bahaman 3  
Temerloh 28000  
Pahang Darul Makmur  
Tel : 09-2969292  
Fax : 09-2960254

### 16 KUANTAN

No. 4 & 4a, 6 & 6a  
(Construction Town)  
Jalan Putra Square 6  
Putra Square  
Kuantan 25200  
Pahang Darul Makmur  
Tel : 09-5159098  
Fax : 09-5159096

### 17 KOTA BHARU

Lot 1184  
1st Floor Jalan Kebun Sultan  
Kota Bharu 15350  
Kelantan Darul Naim  
Tel : 09-7484496  
Fax : 09-7485596

## SABAH REGION

### 18 KOTA KINABALU

Lot 30, Ground Floor  
Block E, Sedco Complex  
Jalan Albert Kwok  
Locked Bag 69  
Kota Kinabalu 88000 Sabah  
Tel : 088-224551  
Fax : 088-224506

### 19 SANDAKAN

Lot 8, Ground Floor  
Block 2, Bandar Indah  
Mile 4 North Road  
W.D.T. No. 291  
Sandakan 90000 Sabah  
Tel : 089-274842

### 20 TAWAU

TB320, Ground Floor  
Block 38, Fajar Complex  
Jalan St. Patrick  
W.D.T. No. 33  
Tawau 91009, Sabah  
Tel : 089-765054  
Fax : 089-764554

## SARAWAK REGION

### 21 KUCHING

Sublot 3, Ground Floor, Block 10  
Jalan Laksamana Cheng Ho  
Kuching Central Land District  
Kuching 93350 Sarawak  
Tel : 082-246515  
Fax : 082-246713

### 22 MIRI

Lot 3544, 1st Floor  
Lot 3545, Ground Floor  
Section 5, M.C.L.D Jalan Miri-Pujut  
Miri 98000 Sarawak  
Tel : 085-320470  
Fax : 085-324920

### 23 SIBU

Lot 1726, No. 12-H  
1st & 2nd Floor  
Jalan Kampung Datu  
Sibu 96000 Sarawak  
Tel : 084-346515  
Fax : 084-326448

# Board of Directors' Profile

As at 23 March 2018

## TAN SRI RAZALI BIN ISMAIL Chairman – Non-Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Age</b>	78
<b>Gender</b>	Male
<b>Date of Appointment</b>	25 September 2001
<b>Length of Service</b>	16 years and 6 months
<b>Date of Last Re-appointment</b>	24 May 2017

### Membership of Board Committee:

- Member of Nomination and Remuneration Committee

### Qualification:

- Bachelor of Arts (Honours) Degree from the University of Malaya in 1962
- Honorary Doctorate from the National University of Malaysia in 1993
- Honorary Doctorate in Law from the University Science Malaysia in 1998

### Working Experience:

Tan Sri Razali was in the diplomatic service of the Government of Malaysia for 36 years (1962-1998) serving the last 10 years as Malaysia's Permanent Representative to the United Nations in New York. Tan Sri Razali was the President of the 53rd United Nations General Assembly from 1996 to 1997. He was involved in articulating and developing positions in various bodies on issues such as development and sustainability, poverty and marginalisation, political reforms in the United Nations and issues of human rights and the environment. He continues to keep abreast on these subjects at home and abroad, through participation at seminars and interacting with personalities and bodies, ties established earlier. He was the United Nations Secretary-General's Special Envoy for Myanmar for more than 5 years (2000-2005).

In Malaysia, he has built a small position on issues relating to environment and is a self-styled environmental entrepreneur. He is an on the ground environmentalist especially over the protection and replanting of mangrove and dealing with environmental degradation due to urbanisation, pushing for recovery efforts such as sanitary landfills and the promotion of renewable energy and solar.

### Directorships of Public Companies:

- Chairman of Allianz Malaysia Berhad;
- Chairman of Allianz General Insurance Company (Malaysia) Berhad;
- Chairman of Allianz Life Insurance Malaysia Berhad; and
- Chairman of Cypark Resources Berhad.



Tan Sri Razali is also a Chairman of the Human Rights Commission of Malaysia (SUHAKAM), Chairman and a Trustee of Yayasan Chow Kit. He is the Pro-Chancellor of University Science Malaysia, Penang and a member of the Panel of Distinguished Fellows of the Institute of Diplomacy and Foreign Relations (IDFR). He is also the Adjunct Professor of University Malaya. He was previously the Chairman of the National Peace Volunteer Corp (Yayasan Salam) and a grant organisation on Natural Disaster, Force of Nature (FON), a Trustee of Razak School of Government as well as the President of the World Wide Fund for Nature, Malaysia.

### Board Meeting Attendance:

5 out of 5 Board Meetings held in 2017

### Other Information:

Tan Sri Razali is the uncle of Zakri Bin Mohd Khir, the Chief Executive Officer of the Company. Save as disclosed above, Tan Sri Razali does not have any family relationship with any other Director and/or major shareholder of the Company.

Tan Sri Razali does not hold any share in the Company and its subsidiaries and also does not have any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

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## FOO SAN KAN

Non-Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Age</b>	69
<b>Gender</b>	Male
<b>Date of Appointment</b>	25 November 2005
<b>Length of Service</b>	12 years 4 months
<b>Date of Last Re-election</b>	24 May 2017

### Membership of Board Committee:

- Member of Audit Committee
- Member of Risk Management Committee
- Member of Nomination and Remuneration Committee

### Qualification:

- Fellow of the Institute of Chartered Accountants in England and Wales in 1973
- Chartered Accountant of the Malaysian Institute of Accountants in 1974
- Member of the Malaysian Institute of Certified Public Accountants in 1974
- Fellow of the Chartered Tax Institute of Malaysia in 1992

### Working Experience:

Foo San Kan was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practising accountant. He has 35 years of experience in the accounting profession, of which the last 30 years were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment and almost all aspects of the accounting profession.

### Directorships of Public Companies:

- Allianz Malaysia Berhad;
- Allianz General Insurance Company (Malaysia) Berhad;
- Allianz Life Insurance Malaysia Berhad;
- OSK Holdings Berhad;
- Malaysian Trustees Berhad;
- RHB Trustees Berhad; and
- PJ Development Holdings Berhad.



### Board Meeting Attendance:

5 out of 5 Board Meetings held in 2017

### Other Information:

Foo San Kan does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

## Board of Directors' Profile

As at 23 March 2018

### DATO' DR. THILLAINATHAN A/L RAMASAMY Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Age</b>	73
<b>Gender</b>	Male
<b>Date of Appointment</b>	24 June 2011
<b>Length of Service</b>	6 years 9 months
<b>Date of Last Re-appointment</b>	24 May 2017

#### Membership of Board Committee:

- Chairman of Audit Committee
- Member of Risk Management Committee
- Member of Nomination and Remuneration Committee

#### Qualification:

- Class 1 Honours in Bachelor of Arts (Economics) Degree from the University of Malaya in 1968
- Master in Economics from the London School of Economics in 1970
- PhD in Economics from the London School of Economics in 1976
- Fellow Member of the Institute of Bankers Malaysia in 1988

#### Working Experience:

Dato' Dr. Thillainathan has been with the Genting Group since 1989 and held positions as Director of Finance (1989-2002), Chief Operating Officer (2002-2006) and Executive Director (2003-2007) and was subsequently redesignated as an Independent Director in 2009. Prior to his employment with the Genting Group, he was the Chief Executive of Bank Buruh Malaysia Berhad (1984-1989), Joint Managing Director of Bank Pusat Kerjasama (1983-1984), General Manager, Treasury and Investment Services of Arab Malaysian Merchant Bank (1980-1983) and Lecturer and Associate Professor, Faculty of Economics and Administration of University of Malaya (1970-1979). He is currently a Member of Lembaga Pengarah Universiti Malaya, a member of the Boards of Directors of UM Holdings Sdn Bhd and a Council Member of the Malaysian Quality Agency.

Dato' Dr. Thillainathan has extensive years of experience in finance and banking. He is the past President of Malaysian Economic Association and past Chairman and council member of the Federation of Asean Economic Associations. He has served on the National Economic Panel, the Anti-Recession Task Force, the Task Force on Capital Market Development, the Investment Panel of Employees Provident Fund, the National Economic Consultative Council, the Tax Review Panel of the Ministry of Finance, the Economic Council and Majlis Perundingan Ekonomi Negara Kedua.



#### Directorships of Public Companies:

- Allianz Malaysia Berhad;
- Allianz General Insurance Company (Malaysia) Berhad;
- Allianz Life Insurance Malaysia Berhad;
- Genting Berhad;
- Public Investment Bank Berhad; and
- IDEAS Policy Research Berhad.

Dato' Dr. Thillainathan is also a Trustee of Child Information, Learning and Development Centre, Yayasan MEA and Private Pension Administrator Malaysia.

#### Board Meeting Attendance:

5 out of 5 Board Meetings held in 2017

#### Other Information:

Dato' Dr. Thillainathan does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

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**TAN SRI DATUK (DR.) RAFIAH BINTI SALIM**  
Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Age</b>	70
<b>Gender</b>	Female
<b>Date of Appointment</b>	23 November 2012
<b>Length of Service</b>	5 years 4 months
<b>Date of Last Re-election</b>	25 May 2016

**Membership of Board Committee:**

- Chairman of Nomination and Remuneration Committee
- Member of Risk Management Committee
- Member of Audit Committee

**Qualification:**

- Bachelor of Laws from the Queen’s University of Belfast, United Kingdom in 1971
- Master of Laws from the Queen’s University of Belfast, United Kingdom in 1974
- Certificate of Legal Practice in 1987
- Advocate & Solicitor of the High Court of Malaya in 1987
- Honorary Doctorate from the Queen’s University of Belfast, United Kingdom in 2005

**Working Experience:**

Tan Sri Datuk (Dr.) Rafiah started her career as a lecturer at the Faculty of Law, University of Malaya in 1974. In 1988, she ended her service with the University as the Dean of the Faculty. She then moved on to become the Head of the Legal Department of the Malayan Banking Berhad (“Maybank”). In 1991, she was promoted to the post of General Manager of the Human Resource Department at Maybank. She was then invited to serve in Bank Negara Malaysia as the Assistant Governor for the Security Department, Legal Department and Property and Service Department.

Tan Sri Datuk (Dr.) Rafiah’s international experience includes holding the position of Assistant Secretary General for Human Resource Management, United Nations, New York, from 1997 to 2002 and was the first Malaysian to be appointed to such a high ranking post in the United Nations system. From 2003 to 2006, she was the Executive Director of the International Centre for Leadership in Finance, now known as The ICLIF Leadership And Governance Centre. In 2006, she was appointed as the Vice-Chancellor/President of the University of Malaya.

She was the Executive Director of NAM Institute for the Empowerment of Women from 2009 to 2013.



Tan Sri Datuk (Dr.) Rafiah has been awarded the “Darjah Kebesaran Panglima Jasa Negara (PJN)” and the “Panglima Setia Mahkota (PSM)” from His Majesty The Yang di-Pertuan Agong.

**Directorships of Public Companies:**

- Allianz Malaysia Berhad;
- Allianz General Insurance Company (Malaysia) Berhad;
- Allianz Life Insurance Malaysia Berhad;
- Chairman of Malaysian Genomics Resource Centre Berhad;
- Nestle (Malaysia) Berhad;
- Lotte Chemical Titan Holding Berhad; and
- Minda Global Berhad.

**Board Meeting Attendance:**

4 out of 5 Board Meetings held in 2017

**Other Information:**

Tan Sri Datuk (Dr.) Rafiah does not hold any share in the Company and its subsidiaries. She also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

## Board of Directors' Profile

As at 23 March 2018

### TUNKU ZAIN AL-'ABIDIN IBNI TUANKU MUHRIZ Independent Non-Executive Director

<b>Nationality</b>	Malaysian
<b>Age</b>	35
<b>Gender</b>	Male
<b>Date of Appointment</b>	28 November 2014
<b>Length of Service</b>	3 years 4 months
<b>Date of Last Re-election</b>	9 June 2015



#### Membership of Board Committee:

- Member of Nomination and Remuneration Committee
- Member of Risk Management Committee

#### Qualification:

- Bachelor of Science Degree in Sociology and Government from the London School of Economics and Political Science in 2003
- Master of Science in Comparative Politics from the London School of Economics and Political Science in 2004

#### Working Experience:

Tunku Zain is Founding President of the Institute for Democracy and Economic Affairs ("IDEAS"); a Trustee of Yayasan Chow Kit, Yayasan Munarah, the Jeffrey Cheah Foundation and the Genovasi Foundation; an Independent Non-Executive Director of Allianz Malaysia Berhad and Kian Joo Can Factory Berhad; an advisor or patron to numerous educational and cultural organisations; a committee member of several societies; a columnist in three newspapers; and a Royal fellow of the National University of Malaysia.

Tunku Zain was educated at the Kuala Lumpur Alice Smith School, Marlborough College and the London School of Economics and Political Science, where he obtained his MSc in Comparative Politics. He then worked in the UK Houses of Parliament before moving to Washington DC to join the World Bank as a Public Sector Consultant. Upon returning to Malaysia, Tunku Zain worked at the United Nations Development Programme and the KRA Group before becoming a Research Fellow at the Lee Kuan Yew School of Public Policy at the National University of Singapore.

In 2006 he co-founded the Malaysia Think Tank which evolved into IDEAS in 2010. Since 2008 he has maintained a newspaper column: firstly Abiding Times in theSun, then Roaming Beyond the Fence in the Star and Sin Chew, and now Conservatively Speaking Freely in the Malay Mail, Borneo Post and Oriental Daily. From these articles three books have been compiled, the latest being nominated for the Popular Readers' Choice Awards. Tunku Zain is also authored a coffee table book for the Installation of the Eleventh Yang di-Pertuan Besar of Negeri Sembilan and led a major project to revitalise the State Anthem.

An Eisenhower Fellow, he has been selected for various leadership programmes by the governments of Australia, France and the European Union. Tunku Zain has been recognised with the Rotary Young Integrity Award in 2013 and a Top 10 Most Impactful Young Leaders Award in 2015.

Tunku Zain is often invited to speak on subjects ranging from nation building, public policy, history, culture, law, business ethics and youth development.

#### Directorships of Public Companies:

- Allianz Malaysia Berhad;
- Allianz General Insurance Company (Malaysia) Berhad;
- Allianz Life Insurance Malaysia Berhad;
- Kian Joo Can Factory Berhad; and
- IDEAS Policy Research Berhad.

Tunku Zain is a patron of several cultural organisations and a committee member of several associations including the Squash Racquets Association of Malaysia.

#### Board Meeting Attendance:

5 out of 5 Board Meetings held in 2017

#### Other Information:

Tunku Zain does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

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# Senior Management Team

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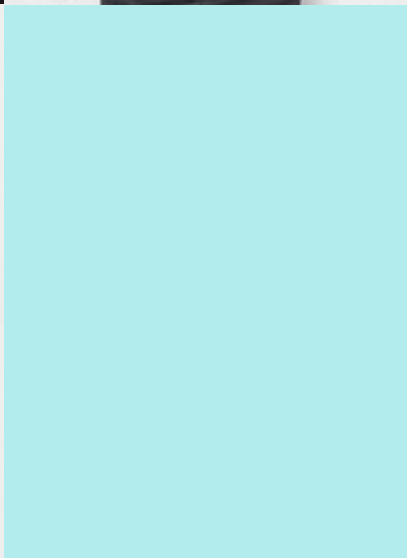
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# Senior Management Team Profile

## 1. ZAKRI BIN MOHD KHIR

Chief Executive Officer ("CEO") of Allianz Malaysia Berhad ("AMB" or "Company") and Allianz General Insurance Company (Malaysia) Berhad ("AGIC")

Age: **54** Gender: **Male**  
Nationality: **Malaysian**

### Qualification:

1. Certificate of Insurance from the Institut Teknologi Mara
2. Fellow of the Malaysian Insurance Institute

### Working Experience and Other Information:

Zakri Bin Mohd Khir has over 30 years of experience in the insurance industry. He joined the Company in 2000 as the Head of Industrial Business and subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of AGIC before he assumed his current position as the CEO of AGIC in December 2010. He is also the CEO of the Company since 3 September 2014. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance Berhad. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

Save as disclosed below, Zakri Bin Mohd Khir does not have any family relationship with any other Director and/or major shareholder of the Company:-

1. He is the nephew of Tan Sri Razali Bin Ismail, the Chairman of the Company.
2. He is a nominee Director of Allianz SE on the Board of the general insurance subsidiary of the Company.

Save for holding of 100 ordinary shares and 200 irredeemable convertible preference shares in the Company, Zakri Bin Mohd Khir does not have any other interest in the shares of the Company and its subsidiaries. He also does not have any conflict of interest with the Company.

### Directorship in Public Companies: AGIC

## 2. JOSEPH KUMAR GROSS

CEO of Allianz Life Insurance Malaysia Berhad ("ALIM")

Age: **53** Gender: **Male**  
Nationality: **German**

### Qualification:

1. Master in Business Administration, Johann-Wolfgang-Goethe University, Frankfurt, Germany

### Working Experience and Other Information:

Joseph Kumar Gross joined Allianz SE in 2002 as the Senior Vice President of Strategic Brand Management and subsequently appointed as the Executive Director and Head of Group Market Management before he assumed his current position as the CEO of ALIM on 20 April 2016. He was appointed as the Executive Director of ALIM on 17 August 2017. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

Save as disclosed below, Joseph Kumar Gross does not have any family relationship with any other Director and/or major shareholder of the Company:-

1. He is a nominee Director of Allianz SE on the Board of the life insurance subsidiary of the Company.

Joseph Kumar Gross also does not have any conflict of interest with the Company.

### Directorship in Public Companies: ALIM

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### 3. ONG ENG CHOW

Chief Financial Officer ("CFO") of AMB and ALIM

Age: **52** Gender: **Male**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Commerce from the University of Canterbury, New Zealand
2. Chartered Accountant of the Malaysian Institute of Accountants
3. Chartered Accountant of the Chartered Accountants Australia and New Zealand

#### Working Experience and Other Information:

Ong Eng Chow has more than 28 years of experience in the financial service industry, of which 21 years were in the insurance industry. He joined ALIM on 1 June 1999 as Financial Controller and was redesignated as CFO in 2005. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and ALIM. Prior to his employment with the Group, he was the Financial Controller of EON CMG Life Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017. Save for holding of 100 ordinary shares and 100 irredeemable convertible preference shares in the Company, Ong Eng Chow does not have any other interest in the shares of the Company and its subsidiaries.

**Directorship in Public Companies: NIL**

### 4. HORST HERMANN HABBIG

Chief Sales Officer of AGIC

Age: **54** Gender: **Male**  
Nationality: **German**

#### Qualification:

1. Advanced Industrial Training Programme (AFP), Germany

#### Working Experience and Other Information:

Horst Habbig joined the Company in 1999 as Technical Advisor and subsequently appointed as Chief Operating Officer in 2002. He was redesignated as the Head of Marketing Division in 2008 before he assumed his current position as Chief Sales Officer on 1 April 2010. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 5. ONG PIN HEAN

Chief Sales Officer of ALIM

Age: **54** Gender: **Male**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Business Administration, University of Houston, Texas, USA

#### Working Experience and Other Information:

Ong Pin Hean joined ALIM as Head of Life Sales on 2 July 2001, seconded to Allianz China Life in 2004 to set up the first branch for Allianz Life China in GuangZhou. In 2005, he became the Chief Sales & Marketing Officer for Allianz Life China in Shanghai. He returned to Malaysia in 2007 and assumed his current position on 1 February 2010. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## Senior Management Team Profile

### 6. WANG WEE KEONG

Chief Operations Officer of AMB and AGIC

Age: **46** Gender: **Male**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Commerce and Management

#### Working Experience and Other Information:

Wang Wee Keong joined the Company in 2004 and has held various managerial positions in AMB and its insurance subsidiaries ("Group"). He assumed his current position on 1 January 2010. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 7. LIM LI MENG

Chief Sales Officer, Partnership Distribution and Corporate Clients Solutions of ALIM

Age: **53** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Science (Honours)
2. Associate, Society of Actuaries, USA
3. Fellow of Life Management Institute

#### Working Experience and Other Information:

Lim Li Meng joined ALIM in 2003 and has held several senior managerial positions in ALIM attached to various Divisions such as Product Development, Operations with her last position being Chief Market Management Officer of ALIM. Li Meng was subsequently appointed to her current position on 1 November 2012. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 8. LOKE SIEW PEI

Chief Market Management Officer of the Group

Age: **39** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Accounting

#### Working Experience and Other Information:

Loke Siew Pei joined the Group as the Chief Market Management Officer. She assumed her current position on 4 September 2017. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

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## 9. STEFAN RITZ

Chief Operations Officer of ALIM and Chief Digital Officer of AMB

Age: **46** Gender: **Male**  
Nationality: **German**

### Qualification:

1. Diploma in Business Computing

### Working Experience and Other Information:

Stefan Ritz joined Allianz in Germany in 1998 as Information Technology consultant and was assigned to Allianz Life Korea from 2000 where he held various project lead and management roles. In April 2012 he joined ALIM as Head of Operations and was subsequently appointed as Chief Operations Officer in January 2013. He assumed his current position on 15 October 2016. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## 10. MOK KIAN TONG

Chief Risk Officer of AMB and AGIC

Age: **57** Gender: **Male**  
Nationality: **Malaysian**

### Qualification:

1. Bachelor of Business in Business Administration

### Working Experience and Other Information:

Mok Kian Tong joined the Company in 2001 and has held several managerial positions at Head Office in several functions namely Finance, Compliance and Risk Management. He was appointed as the Chief Risk Officer on 1 January 2011. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## 11. CHIANG BIN FONG

Chief Information Technology Officer of the Group

Age: **52** Gender: **Male**  
Nationality: **Malaysian**

### Qualification:

1. Bachelor of Mathematics (Computer Science)

### Working Experience and Other Information:

Chiang Bin Fong joined the Company in 2005 as Head of Information Technology. He assumed his current position on 1 August 2008. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**



## Senior Management Team Profile

### 12. NG SIEW GEK

Company Secretary and Head of Allianz4Good of the Group

Age: **52** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Chartered Secretary (Institute of Chartered Secretaries and Administrators, UK)

#### Working Experience and Other Information:

Ng Siew Gek is the Company Secretary of the Group since 1997. She is also the Secretary to the Board Committees of AMB and Senior Management Committees of ALIM and AGIC. In 2011, she assumed additional responsibility as the Head of Allianz4Good Department, the corporate responsibility arm of the Group. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 13. MANOGARI A/P MURUGIAH

Head of Legal & Compliance of the Group

Age: **57** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Laws, University of London
2. Certificate in Legal Practice

#### Working Experience and Other Information:

Manogari A/P Murugiah joined the Company in 2003 as Head of Legal. On 1 January 2011, she was appointed as Head of Legal & Compliance of the Group, assuming responsibility for both legal and compliance matters of the Group. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 14. WONG WOON MAN

Head of Human Resources of the Group

Age: **49** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Bachelor of Science in Agribusiness

#### Working Experience and Other Information:

Wong Woon Man joined ALIM in August 2002 as Head of Learning and Development. In 2006, she was appointed as Senior Manager, Human Resources. When the Human Resources function was synergised between ALIM and AGIC, she was appointed as Deputy Head of Human Resources. In 2011, she assumed the role of Head of Human Resources of the Group. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

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## 15. NG SIEW LENG @ JANNY NG

Head of Internal Audit of the Group

Age: **48** Gender: **Female**  
Nationality: **Malaysian**

### Qualification:

1. Chartered Institute of Management Accountant

### Working Experience and Other Information:

Janny Ng joined the Company on 16 June 1995 as Internal Audit Executive. She assumed her current position on 1 January 2014. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## 16. JOANNICA DASS

Head of Corporate Communications of the Group

Age: **41** Gender: **Female**  
Nationality: **Malaysian**

### Qualification:

1. Bachelor of Communications Studies, Majoring in Television (New Zealand)

### Working Experience and Other Information:

Joannica Dass joined the Company in August 2004 as a Senior Executive in the Corporate Communications Unit. She was appointed as the Head of Corporate Communications Department on 1 May 2007. When the communication function was synergised between ALIM and AGIC, she was appointed as the Head of Corporate Communications Department of the Group on 1 June 2008. She is also the Investor Relations contact for AMB. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## 17. RAFLIZ RIDZUAN

Chief Underwriting Officer of AGIC

Age: **48** Gender: **Male**  
Nationality: **Malaysian**

### Qualification:

1. Certificate of Insurance from the Institut Teknologi Mara

### Working Experience and Other Information:

Rafliz Ridzuan joined AGIC in 2001 as Head of Corporate Business. He was appointed Head of Sales in 2011 prior to his current role as Chief Underwriting Officer which he assumed in 2014. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## Senior Management Team Profile

### 18. CHIN XIAO WEI Appointed Actuary of AGIC

Age: **34** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Fellow of the Institute and Faculty of Actuaries (UK)
2. Fellow of Actuarial Society Malaysia
3. MSc Actuarial Management, Cass Business School (UK)
4. BSc Actuarial Science, London School of Economics (UK)

#### Working Experience and Other Information:

Chin Xiao Wei joined the company in 2007 as an Actuarial Analyst. In 2011, she was appointed as the Strategy & Planning Manager, CEO Office. She assumed her current position in March 2015. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 19. LEE CHI KWAN Head of Finance of AGIC

Age: **51** Gender: **Female**  
Nationality: **Malaysian**

#### Qualification:

1. Fellow of the Association of Chartered Certified Accountants (UK)
2. Chartered Accountant Malaysia of Malaysian Institute of Accountants

#### Working Experience and Other Information:

Lee Chi Kwan joined the Company in 2005, and assumed her current position as Head of Finance of AGIC, on 1 November 2010. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

### 20. YEOH ENG HUN Chief Strategy & Product Officer of ALIM

Age: **40** Gender: **Male**  
Nationality: **Malaysian**

#### Qualification:

1. Fellow of the Institute of Actuaries of Australia
2. Certified Practising Accountant (Australia)
3. Chartered Financial Analyst

#### Working Experience and Other Information:

Yeoh Eng Hun joined the Allianz regional office in Singapore in 2008, and was the Regional Chief Actuary before joining ALIM in 2012. His previous roles at ALIM included Appointed Actuary, Chief Actuary, Chief Risk Officer and Chief Operations Officer. He assumed his current position on 15 October 2016. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulator bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

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## 21. TAN TEOH GUAN

Appointed Actuary/Chief Actuary of ALIM

Age: **36** Gender: **Male**  
Nationality: **Malaysian**

### Qualification:

1. BSc in Actuarial Science
2. Fellow of the Institute of Actuaries
3. Fellow of the Actuarial Society of Malaysia

### Working Experience and Other Information:

Tan Teoh Guan joined ALIM in 2009, has held several managerial positions in the Actuarial Department with his last position being Head of Corporate Actuarial and appointed to be the Appointed Actuary in mid-2014. He does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

## 22. CORRINE YEO CHIN SAN

Chief Risk Officer of ALIM

Age: **34** Gender: **Female**  
Nationality: **Malaysian**

### Qualification:

1. BSc in Actuarial Science
2. Fellow of the Institute and Faculty of Actuaries (IFoA)
3. Fellow of the Actuarial Society of Malaysia

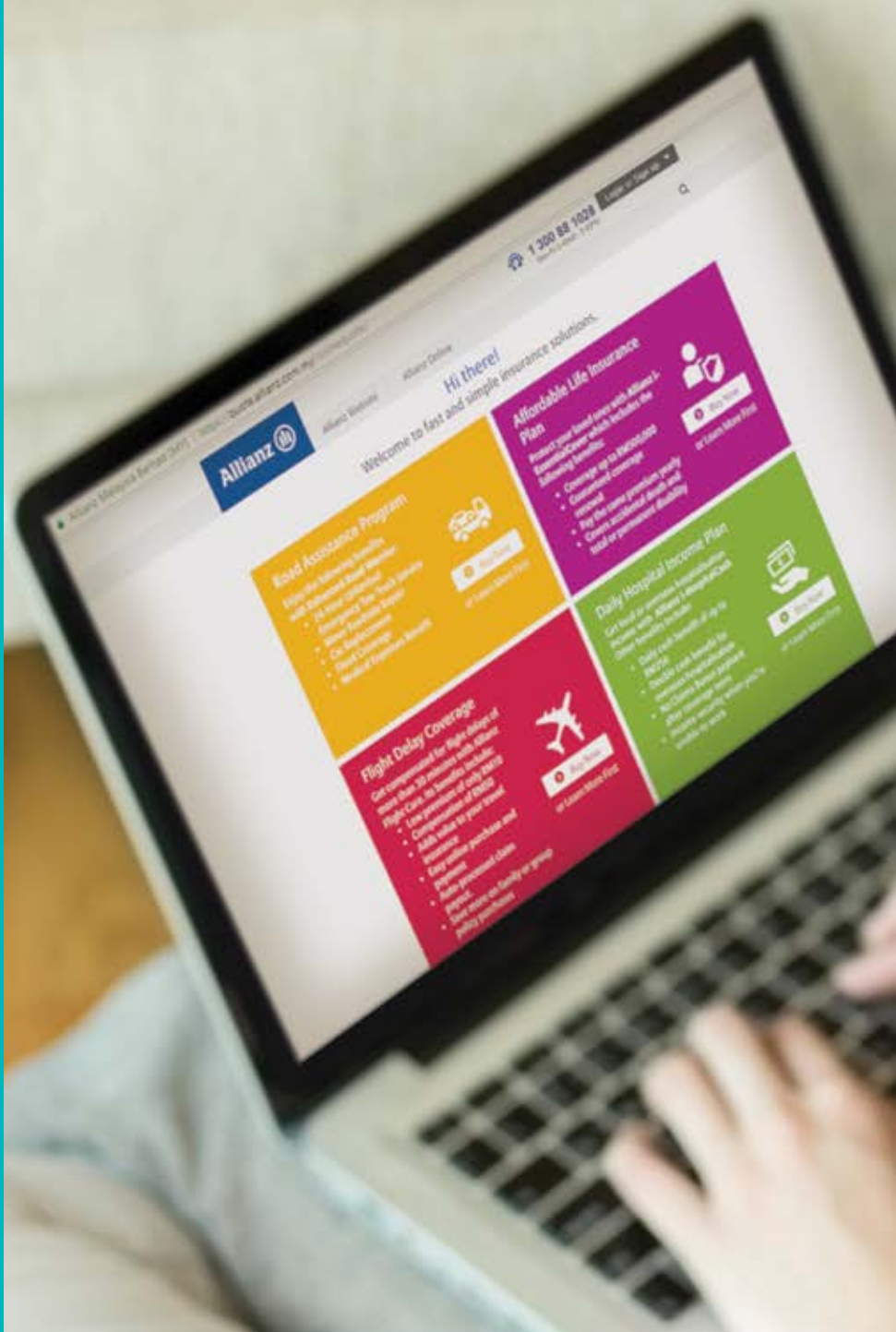
### Working Experience and Other Information:

Corrine Yeo joined as Chief Risk Officer of ALIM on 2 January 2018. She does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2017.

**Directorship in Public Companies: NIL**

# PROVIDING SIMPLICITY IN SERVICE

Allianz Online  
makes it a breeze  
for customers.







# Chairman's Statement

Dear Shareholders,

Allianz Malaysia has continued to deliver top-line growth in 2017, outpacing the markets of both general and life insurance. This was undergirded by strong leadership and effective prioritisation of strategies that led Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") through challenging times.

Although 2017 saw the strengthening of the Malaysian economy with Gross Domestic Product ("GDP") growth at 5.9 percent (2016: 4.2 percent), consumer sentiments had yet to catch up. Strong inflationary pressure around food and housing meant that consumers had less disposable income especially in the B40 segment. This had a direct impact on the life and general insurance industries, which saw a persistence in slow growth in 2017. Against this backdrop, I am proud to announce that the Group continued to deliver results, attributed to a diversified portfolio in both its general and life insurance businesses.



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“As an insurance provider, we are aware that we have a long-term commitment to not only our customers, partners and employees, but also to the communities we are a part of.”

For the year under review, the Group continued to register top-line growth with an operating revenue of RM4.80 billion, growing at 2.6 percent from RM4.68 billion in 2016. The Group's life and general insurance subsidiaries have maintained steady sales performance resulting in a 2.5 percent growth in Gross Written Premiums (“GWP”) of RM4.29 billion from RM4.18 billion the year before.

However, despite this growth, the impairment in receivables arising from two disputes in reinsurance contracts in the general business led to a decline of 3.8 percent in profit before tax to RM437.3 million compared to RM454.6 million the previous year. This impacted the basic earnings per share of 165.33 sen which is a 9.3 percent contraction to the 182.27 sen achieved in 2016.

The insurance subsidiaries of the Group remain well capitalised as at 31 December 2017 with a capital adequacy ratio that is in surplus over the minimum capital required by the industry regulators.

The Company endeavours to protect investors' capital and continues to provide attractive returns and dividends whilst taking into consideration the capital requirements of its insurance subsidiaries. The Board in 2017 declared an interim ordinary share dividend of 12.00 sen per ordinary share under the single tier system (2016 interim dividend: 9.00 sen) and an interim preference share dividend of 14.40 sen per Irredeemable Convertible Preference Share under the single tier system (2016 interim dividend: 10.80 sen).

The Group prides itself in integrating sustainability into its business practices. As an insurance provider, we are aware that we have a long-term commitment to not only our customers, partners and employees, but also to the communities we are a part of. Our sustainability efforts were recognised by *The Edge* Billion Ringgit Club Company of the Year award, awarding the Group with the Best Corporate Responsibility Award for the below RM10 billion market capitalisation category. Our corporate responsibility activities in 2017 are set out in the Sustainability Report forming part of this Annual Report.

Having been Director and Chairman for over 16 years, I would like to announce my retirement from the Board at the end of the upcoming 44th Annual General Meeting

(“AGM”). I will be succeeded by Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, who has been on the Board since 2012. I sincerely hope that you will lend her the same support as has been provided to me.

During my tenure, I have seen the Group continuously deliver value to all its stakeholders and grow from strength-to-strength to become key players in both the life and general insurance industries, while still maintaining a holistic approach to corporate governance, environmental stewardship and social responsibility. It has been my honour to be a part of the Group's growth journey and I depart with fond memories of our achievements together.

For the final time, on behalf of the Board of Directors, I wish to express my sincerest gratitude to our valued shareholders, customers, agents, brokers, distribution partners at banks and other business partners for their continued support and confidence in the Group. We would also like to convey our outmost thanks to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their instrumental advice, guidance and support throughout the year.

To my fellow Board members, I would like to extend my deepest appreciation for your commitment, collaboration and support through my years as Chairman.

My earnest thanks also go to the Senior Management team and the Group's employees for their hard work and dedication to delivering excellence. The Group owes its success to their committed efforts. With a solid team and the implementation of robust strategic initiatives, I am excited about the prospects of the Group's continued success in the future.

I trust that the Group will continue to have the staunch support of all our shareholders as it steers towards new heights of success.

I wish all of you a successful and fulfilling 2018. Thank you.

**Tan Sri Razali Bin Ismail**  
Chairman  
26 March 2018

# CEO's Message and Management Discussion & Analysis

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## Dear Shareholders,

I am pleased to announce that Allianz Malaysia Berhad (“Company”) and its subsidiaries (collectively known as “Group”) have demonstrated resilience despite the challenges in the operating environment. I strongly believe that the strategic decisions we have made in prior years and the foundations laid out under the Renewal Agenda strategic roadmap have helped us to protect our earnings and to carry on delivering value to all our stakeholders.

2017 was a year of recovery for the Malaysian economy. As the global political environment stabilised after the tumultuous year that was 2016, global financial markets and trade began to improve. This positively impacted the Malaysian economy resulting in Gross Domestic Product (“GDP”) growth of 5.9 percent. However, local consumer sentiment lagged behind these developments as disposable income has been slow to catch up with the positive economic developments which ultimately affected consumer spending, including on insurance. Both the general and life insurance industries struggled against this backdrop. Compounding to the effect, changes in the regulatory environment, such as the phased liberalisation of Motor and Fire Tariffs in the general insurance industry, resulted in slower growth in 2017 for both industries. Even with these challenges, the life and general insurance subsidiaries of the Company demonstrated their competitive strengths to achieve balanced, sustainable growth above that of the market.

Some of the Group’s achievements in 2017 include:

- Achieved operating revenue of RM4.80 billion
- Attained Gross Written Premiums (“GWP”) growth of 2.5 percent to RM4.29 billion
- Grew life business profit before tax by 24.9 percent to RM172.9 million
- Maintained market leadership position in the conventional general insurance industry with 12.1 percent market share in terms of GWP
- Increased life business market share in terms of Annualised New Premiums (“ANP”) from 6.6 percent to 7.4 percent
- Started bancassurance partnership with Standard Chartered Bank Malaysia Berhad (“SCB”)
- Launched the Digital Accelerator SuperCharger with SCB and Malaysia Digital Economy Corporation (“MDEC”)

We achieved these results through our continued efforts to gain competitive advantage in our technical abilities, operational efficiencies and maintaining a customer-centric corporate culture. We are acutely aware that in order for us to stay ahead of the competition, we need to keep our finger on the pulse of developments in the market, especially in the digital space. Digital is changing many aspects of our customers’ daily experience, even the way they seek and purchase insurance. Both insurance subsidiaries strive to make strategic investments particularly in customer-facing digital assets and efficiency-enhancing operational infrastructure in order to stay relevant, reduce costs and deliver an enhanced customer experience. Our customers are, at the end of the day, the very reason we are where we are today.

## FINANCIAL RESULTS

### CONSOLIDATED GROUP RESULTS

Key figures: Group

	2017	2016	Delta
Operating Revenue (RM’ million)	<b>4,800.99</b>	4,678.49	122.50
Profit Before Tax (RM’ million)	<b>437.28</b>	454.59	(17.31)
Return on Equity (%)	<b>9.6%</b>	11.3%	(1.7 pts)
Basic Earnings per Ordinary Share (sen)	<b>165.33</b>	182.27	(16.94)
Diluted Earnings per Ordinary Share (sen)	<b>83.28</b>	90.80	(7.52)

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We remain focused on creating value for our shareholders

Consolidated Operating Revenue ↑ 2.6%

Consolidated Gross Written Premiums ↑ 2.5%

Consolidated Profit Before Tax ↓ 3.8%

Life Business Profit Before Tax ↑ 24.9%

Group Return On Equity 9.6%

The Group's operating performance continued its growth trajectory in 2017. Operating revenue increased by 2.6 percent to RM4.80 billion from RM4.68 billion in 2016, driven mainly by higher gross earned premiums and investment income of RM50.9 million and RM71.6 million respectively. The Group's life and general insurance subsidiaries have delivered a healthy sales performance above market in both insurance segments, resulting in a 2.5 percent growth in consolidated GWP of RM4.29 billion from RM4.18 billion the year before.

Consolidated profit before tax decreased by 3.8 percent to RM437.3 million from RM454.6 million in 2016 mainly attributed to the impairment made in insurance receivables in the general business. However, this impact was cushioned by a 24.9 percent growth in profit before tax from the life business. It is due to this balanced portfolio in the life and general business that the Group is able to deliver resilient results.

We remain focused on creating value for our shareholders. As at 31 December 2017, our Group's earnings per share stood at a commendable 165.33 sen while return on equity was 9.6 percent.

### BALANCE SHEET REVIEW

The Group's balance sheet and solvency position for both insurance subsidiaries remained strong in 2017. Total assets increased by 11.3 percent to RM16.60 billion as compared to RM14.91 billion in 2016, as a result of growth in our investment portfolio.

Our investment portfolio grew by 11.3 percent to RM13.60 billion as at 31 December 2017. The investment mix remained relatively stable during the year, comprising of government and government-related bonds, unquoted bonds of corporations, quoted equities securities, loans, cash and others.

Insurance and more specifically life insurance is a business with long-term commitments. This is reflected in our investment strategy, with government and government-related bonds representing 46.4 percent of our investment portfolio. This is followed by unquoted bonds of corporations of 33.6 percent, which grew 17.7 percent to RM4.57 billion. We employ a conservative approach to equities, with an allocation of 13.8 percent of our portfolio, increasing by 19.8 percent to RM1.88 billion in 2017.

The Group's cash and cash equivalents consist of cash, bank balances, fixed and call deposits with licensed

## Asset Allocation Review

Type of investment	2017 (RM'million)	2016 (RM'million)	Delta (RM'million)	2017 %	2016 %	Delta pts
<b>Debt instruments; thereof:</b>						
Government and government-related bonds	6,305.72	5,683.07	622.65	<b>46.4</b>	46.5	(0.1)
Unquoted bonds of corporations	4,572.23	3,886.02	686.21	<b>33.6</b>	31.8	1.8
Quoted equities securities	1,879.89	1,569.81	310.08	<b>13.8</b>	12.9	0.9
Loans	289.58	297.55	(7.97)	<b>2.1</b>	2.4	(0.3)
Cash	187.14	448.37	(261.23)	<b>1.4</b>	3.7	(2.3)
Others	364.01	333.26	30.75	<b>2.7</b>	2.7	0
<b>Total</b>	<b>13,598.57</b>	<b>12,218.08</b>	<b>1,380.49</b>	<b>100.0</b>	<b>100.0</b>	<b>-</b>

institutions with maturities of less than three months. Cash and cash equivalents stood at RM0.93 billion as at 31 December 2017, increasing by 47.6 percent from RM0.63 billion in 2016.

Total liabilities grew by 11.9 percent to RM13.46 billion compared to RM12.03 billion the year before as a result of higher insurance contract liabilities which increased by 11.0 percent to RM11.96 billion. This represents 88.8 percent of total liabilities. Other liabilities remained stable at RM1.50 billion compared to RM1.26 billion in the previous year.

Shareholders' fund as at 31 December 2017 was RM3.14 billion, an increase of 8.9 percent from RM2.88 billion in 2016. This is mainly attributable to an increase in distributable retained earnings of RM155.0 million and an increase in non-participating fund surplus of RM87.3 million.



## SOLVENCY

The Group's capital position remained strong as at 31 December 2017. The insurance subsidiaries of the Group maintained Capital Adequacy Ratios ("CAR") that were in excess of the minimum requirement imposed by Bank Negara Malaysia ("BNM").

## DIVIDEND POLICY

The Group strives to ensure that it is able to finance profitable new business growth opportunities as well as deliver prudent, sustainable and progressive shareholder dividends. The dividend policy of the Group reflects this balance between attractive dividend yield and sufficient support for investments for continued profitable growth. After taking into consideration the capital requirements to deliver continued business performance, the Board declared an interim ordinary share dividend of 12.00 sen per ordinary share under single tier system (2016 interim ordinary share dividend: 9.00 sen) and an interim preference share dividend of 14.40 sen per Irredeemable Convertible Preference Share ("ICPS") under single tier system (2016 interim preference share dividend: 10.80 sen) which were paid on 14 February 2018 to the entitled shareholders and ICPS holders of the Company respectively. Dividend payout for the financial year of 2017 was RM45.7 million, an increase of 33.2 percent from the year before.

## Dividend Payout

	2017 (sen)	2016 (sen)	
Ordinary Share	<b>12.00</b>	9.00	
Irredeemable Convertible Preference Share	<b>14.40</b>	10.80	

## RENEWAL AGENDA

The Group, in line with Allianz SE Group globally, embarked on a three-year transformation plan known as the Renewal Agenda which began in 2016. 2017 therefore was a year of implementation for the initiatives launched under the five strategic pillars. At the core of these pillars is *True Customer Centricity*, reflecting the central importance of our customers in everything that we do. We seek to achieve *Technical Excellence* to deliver innovative products, underwriting profit, strong margins and enhance operational efficiency. Distribution expansion and professionalisation drives our *Growth Engines*, which is supported by our ambition to be an organisation that is *Digital by Default*. Supporting these strategic pillars is a focus on the very people who make up our organisation, our employees, through *Inclusive Meritocracy* initiatives to enforce a culture of diversity, inclusiveness and excellence.

billion from RM2.08 billion the previous year compared to the market with contracted marginally by 0.1 percent. The positive growth in GWP is attributed to growth in the retail line of business as well as the expansion of our distribution reach within the Franchise and Agency channels. The key distribution channel for the general insurance business continues to be the Agency channel. Agency contributed 59.2 percent or RM1.27 billion in GWP, recording a 3.8 percent increase from 2016. The Franchise channel has grown to become more instrumental in the growth of the general insurance business, recording 4.7 percent growth over the previous year to bring the channel's GWP contribution to 18.8 percent or RM402.6 million.

2017 also marked the final year of the bancassurance agreement between Allianz General and CIMB Bank Berhad, whereby GWP from the Bancassurance channel decreased by 8.4 percent compared to the previous year. It is anticipated that the contribution from the SCB partnership, which commenced in 2017, will gradually cover this gap. The remaining distribution channels which consist of Telemarketing and Broker recorded a 1.0 percent growth over the previous year.

Motor insurance is a significant segment of the general insurance industry and Allianz General is one of the top motor insurers in the country. The Motor portfolio makes up 61.2 percent or RM1.31 billion of GWP, while the remaining RM827.8 million is attributed to Non-Motor which is made up of Property, Health, Personal Accident, Liability, Marine and others.

The first phase of the phased liberalisation of Motor and Fire Tariffs commenced on 1 July 2017 which allowed insurers to deviate pricing for certain motor and fire products within a specified band without BNM approval. During the period from 1 July 2017 to 31 December 2017, Allianz General's Motor and Fire GWP grew by 4.3 percent, marked by pricing strength and portfolio growth within these two lines of business.

### GROWTH ENGINES:

#### GENERAL INSURANCE

##### Key figures: General Insurance

	2017	2016	Delta
Gross Written Premiums (RM' million)	<b>2,135.81</b>	2,082.92	52.89
Profit Before Tax (RM' million)	<b>266.88</b>	320.52	(53.64)
Claims ratio (%)	<b>62.0</b>	61.9	(0.1 pts)
Expense ratio (%)	<b>32.5</b>	28.5	(4.0 pts)
Combined ratio (%)	<b>94.5</b>	90.4	(4.1 pts)

In the year under review, the general insurance subsidiary of the Group, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General"), maintained its market leadership in the conventional general insurance market with a market share of 12.1 percent. GWP grew by 2.5 percent to RM2.14

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With prudent underwriting, Allianz General delivered a positive underwriting profit of RM101.6 million although this was a 39.1 percent decline from RM166.9 million in 2016. Even with the impact of the impairment in receivables arising from two reinsurance contract disputes, the combined ratio for 2017 remained healthy at 94.5 percent. The one-off impairment in receivables contributed 2.1 percent to the combined ratio, without which would result in a combined ratio of 92.4 percent. Excluding the impact of impairment in receivables, the expense ratio registered an increase of 0.8 percentage points from 17.4 percent to 18.2 percent due to investments into services and digital assets to compete in a detariffed environment. The claims ratio rose marginally by 0.1 percentage points to 62.0 percent from 61.9 percent the previous year, indicating tight control on claims even with a growing portfolio and inflationary pressures. Against this backdrop, profit before tax declined by 16.7 percent to RM266.9 million from RM320.5 million in 2016.

## The impressive growth in Annualised New Premiums was driven by the Agency and Partnership Distribution channels

### GROWTH ENGINES:

#### LIFE INSURANCE

##### Key figures: Life Insurance

	2017	2016	Delta
Annualised New Premiums (RM' million)	<b>452.45</b>	392.46	59.99
Gross Written Premiums (RM' million)	<b>2,149.59</b>	2,099.68	49.91
Profit Before Tax (RM' million)	<b>172.87</b>	138.37	34.50
New Business Value (RM' million)	<b>170.97</b>	156.95	14.02

During the financial year ended 31 December 2017, the life insurance subsidiary of the Group, Allianz Life Insurance Malaysia Berhad ("Allianz Life"), delivered a record set of results, securing its top five position in the conventional life market with 7.4 percent market share in terms of ANP. GWP increased by 2.4 percent to RM2.15 billion from RM2.10 billion in 2016. GWP growth was positively supported by strong new business premium growth. However, the growth was moderated due to a strategic shift to regular premium policies in the Bancassurance channel and a reduction in renewal premium from an old block of business which had limited premium payment feature in 2017.





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New business growth was substantial in 2017, with ANP growing at an impressive 15.3 percent to RM452.5 million from RM392.5 million the year before. This growth was mainly driven by the Agency and Partnership Distribution channels, registering growths of 6.8 percent and 77.6 percent respectively, or ANP of RM352.1 million and RM83.1 million accordingly.

The Agency channel had in 2017 entered its second year of the Agency Transformation programme. Agency Transformation is aimed at enhancing agent professionalism, creating end-to-end sales process digitisation and increasing agent productivity to effectively mobilise over 4,800 agents nationwide. Driving the sales force is a focus on the protection proposition provided by our investment-linked products, Allianz PowerLink and Allianz PremierLink. Investment-linked products made up 81.1 percent of total agency new business production, an increase of 4.4 percentage points from 76.7 percent the previous year.

Allianz Life is in its fifth year of the exclusive bancassurance partnership with HSBC Bank Malaysia Berhad. 2017 marked a year of outstanding growth of 99.2 percent, increasing the Partnership Distribution channel's share of ANP from 11.9 percent in 2016 to 18.4 percent in 2017.

Corporate Clients and Solutions ("CCS"), previously known as Employee Benefits, grew 8.4 percent to RM17.3 million in ANP from RM16.0 million the year before. During the year, SME Choice product was launched to target the small-medium enterprises ("SME") market and it received a positive response through the CCS agency channel. Allianz Life continues to have strong relationships with key brokers as well as maintain a healthy direct channel with several medium to large corporations.

Allianz Life not only delivered top-line growth in 2017, but also registered a record growth in profit before tax of 24.9 percent from RM138.4 million in 2016 to RM172.9 million. The strong profit growth was attributable to the growth in our investment-linked protection business along with disciplined expense management and effective monitoring and management of claims. We continue to deliver new business value ("NBV") growth, which rose by 8.9 percent to RM171.0 million from RM157.0 million the preceding year.

### TRUE CUSTOMER CENTRICITY

We take deep pride in ensuring that our customers remain at the core of all that we do as a company. They have entrusted us with protecting their most valuable belongings, their families and themselves. This is not a responsibility we take lightly. Our vision at Allianz Malaysia is, after all, "To be the most reliable partner, always delivering in moments of truth".

One such "moment of truth" was when many of our customers in the Northern states of Penang, Kedah and Perak were affected by floods. In that time of need, we wanted to offer them some form of comfort and help them get back on their feet as quickly as possible. Allianz's Claims Caravan was immediately mobilised to go directly to our customers and we expedited the claims process. All residential claims that were within RM50,000 were settled on the spot and commercial claims within RM50,000 were fast-tracked. Customers were also provided with a waterproof survival kit, complete with blankets, towels, first aid kit and torch light.

Some highlights of our customer initiatives implemented in 2017 include:

- Launched Allianz Road Rangers, coinciding with a redesign of the entire customer journey with regards to motor claims, enhancing the process to address customer pain points;
- Enhancement to the customer support journey at our customer contact centre, including single customer view, omni-channel platform, case management and knowledge management;
- Piloted a new customer on-boarding process to build stronger customer relationships from the beginning; and
- Organised Allianz Days at our branches nationwide to get to know our customers better

In order to gauge our customers' response to our efforts, the Group continues to improve our customer engagement through the Top Down Net Promoter Score Survey. For the year 2017, I am pleased to report that Allianz General achieved a "Loyalty Leader" score while Allianz Life secured an "Above Market" score.

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## DIGITAL BY DEFAULT

The Group's business landscape is undeniably affected by advances in technology. Our customers have come to expect simpler, more convenient service that is portable, round-the-clock and cashless. Our businesses need to align with these developments in order to stay relevant to not only our customers but to our distribution partners as well.

The Group continues to make strategic investments in digital assets across our business processes to improve productivity and customer experience. In our life business operations, the Imagine sales app launched in 2015 had in 2017 achieved an adoption rate of over 90 percent. One of the key enhancements made over the year is the introduction of Needs Discovery, a tool to support agents to provide meaningful advice that is tailor-made to their customers' specific insurance needs. 2017 also saw the introduction of the expert underwriting solution, with easier-to-understand health assessment through reflexive questions to allow for faster underwriting. The life business also implemented ePolicy as a means to further improve digital communication with the majority of documentation now available in digital format.

At Allianz General, we have sought out various digital partnerships which enable us to gain access to large digital customer pools and bring in new innovative business models. One example is the partnership between our general insurance operations with Speedrent, a real estate rental platform connecting landlords and tenants, with paperless processing at every step of transaction. We are working with telematics service providers to potentially incorporate customer driving behavior into the pricing of insurance premiums. This technology will in the long-run benefit our customers and reward those who exhibit good driving habits. We are also a proud partner in the Malaysian chapter of the Supercharger Fintech Accelerator, furthering the Malaysian Fintech industry as well as giving us access to

disruptive technology enablers. We look forward to more exciting developments in the digital field.

## TECHNICAL EXCELLENCE

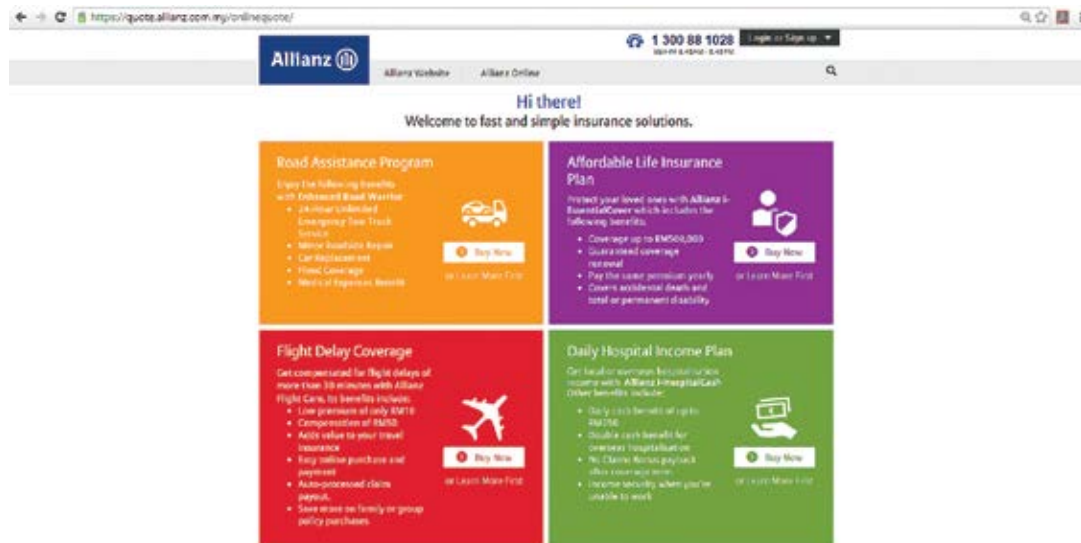
The general insurance industry witnessed the first phase of the phased liberalisation of the Motor and Fire tariffs beginning 1 July 2017. As such, general insurers are now allowed to deviate selected Motor and Fire products within a specified price band without prior approval from BNM. Allianz General has in place a risk-based pricing model and operational capabilities that is agile enough to react to market movements. In terms of product strategy, we launched the Allianz Smart Home Cover in July 2017, which is an innovative, modular home insurance product that is customisable to the needs of the customer.

The general business continues to maintain a healthy combined ratio which is achieved through a balanced portfolio, active portfolio monitoring and rigorous claims management. With the support of the Allianz Asia Pacific Regional Office data science team, we are also incorporating big data and data science elements into our data analytics for greater insights into emerging claims and behavioural trends. We have also in 2017 formed a Special Unit of trained investigators with over 30 years of experience in law enforcement and the legal system to detect, track and investigate insurance fraud cases.

Product innovation is essential to remain competitive. Allianz Life launched two first-of-its-kind products in 2017, offering a lifeline to customers with certain ailments who are typically turned down by insurers. These products are Allianz 3H Cover, a critical illness product for those who experience these "3 Highs" – high cholesterol, high blood pressure or a high body mass index; and Allianz Diabetic Essential, which is a medical plan designed especially for those with type 2 diabetes.



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The Group continues to expand its online channel via Allianz Online ([quote.allianz.com.my](https://quote.allianz.com.my)) to connect directly to our customers. Allianz General offers Allianz Flight Care, the first in the industry, which offers customers compensation for delayed local flights within Malaysia. The Allianz Smart Home Cover is also available online, along with Enhanced Road Warrior, ATM Shield, Allianz Shield and travel insurance. We also offer two life products namely Allianz i-HospitalCash and Allianz i-EssentialCover. We expect to add more products to Allianz Online once we have further insights into customers' online insurance purchasing behaviour.

### INCLUSIVE MERITOCRACY

Our employees are the heart of our organisation. In 2017, we continued to develop a culture where People and Performance matter at every step of the employee journey, from recruitment and selection of candidates, to talent development as well as rewards and performance. A new Employer Value Proposition themed "Allianz - HOME for those who DARE" was adopted globally. The aim was to create a Home built on Trust and Collaboration which encourages Customer & Market Excellence and Entrepreneurship. We continue to promote open and honest communication through more regular feedback sessions such as coffee dialogues with senior management, intra-department and intra-branch interactive sessions as well as the annual Employee Engagement Survey.

To enhance the employee experience and increase engagement, we kicked off 2017 with a reorganisation of the Human Resources ("HR") division into two broad areas: HR Operations and HR Business Partners. The entire employee journey from hiring to on-boarding, development, rewards and performance as well as off-boarding, was reviewed and revised to provide a greater employee experience. This included regular check-ins with new hires to help them settle in to the new environment, which saw an immediate result of a lower turnover rate amongst new joiners in the year under review.

The Management Associate Programme continued in 2017 with 13 new Management Associates for specific functions within Digital Innovation, Information Technology and Sales. Our talent development process was further improved to enable us to identify a wider pool of talented high potentials. We now have a good view of the top 15 percent of our staff force who have been identified as key talent and high potentials – their strengths, areas for development as well as career aspirations. We have seen these high performers progress into new and broader roles and have also placed our talents abroad for overseas assignment as part of their career and personal development.

It is my pleasure to report that we have a very positive Employee Engagement Index of 84 percent based on the Allianz Engagement Survey 2017. I am pleased to share that 81 percent of our employees have stated that they are proud to work for the Group. This goes to show that our efforts to build trust with our employees have borne fruit and these engagement levels ensure that our customers and stakeholders are served by motivated employees.

## SUSTAINABILITY

Sustainability at the Group is driven by the Board with support from the Risk Management Committee (“RMC”) and the Sustainability Working Group (“SWG”). Through an ongoing process of identification and evaluation, the Board establishes the overall direction of our sustainability strategy.

Integrating Environmental, Economic and Social (“EES”) considerations into our decision-making and business practices ensures that we not only remain relevant in a dynamic and rapidly developing financial services industry but it allows us to develop innovative and sustainable solutions through our products and services such as the launching of Allianz Kasih Hayat which extends our protection to the B40 income segment. Through such offerings, as well as our direct engagements with underserved communities, we endeavour to ensure that the risks of life experienced by society are equalised. By harnessing upon technological advancement and strategic digital partnerships, we are able to reduce the environmental impact of our operations while concurrently addressing customers’ pain points and improving process efficiency.

This year, our sustainability highlights include a marked increase in the digitalisation of our processes. Together with the ongoing implementation of our Environmental Management System, this has contributed to a 20.6 percent reduction in paper usage. As a recipient of the Allianz SE Social Innovation Fund, we are proud to support the work of SOLS Academy of Innovation to provide education and skills of the future for underprivileged and indigenous youths through a grant worth €50,000.

As part of a global entity, Allianz is committed to the realisation of the UN Sustainable Development Goals and we make continual effort to incorporate EES considerations into our daily and overall operations. Our sustainability initiatives for 2017 are elaborated further in the Sustainability Report found within this Annual Report.

## THE YEAR AHEAD: RISK & OPPORTUNITIES

In the execution of our strategies and business activities, we are guided by a vigorous risk management framework and internal control systems. Details of the Group’s risk management framework, governance process and key internal control process are disclosed in the Statement on Risk Management and Internal Control in this Annual Report.

In determining our strategic initiatives, we make assessments on the financial, social, political and economic landscape to identify the risks and opportunities posed to our business operations. These are some of the developments that the Group is diligently monitoring:

### REGULATIONS

The first phases of the Life Insurance and Family Takaful (“LIFE”) Framework have already been implemented and the next phase which will involve the implementation of the minimum allocation rate (“MAR”) on investment-linked products is scheduled to be effected in early 2019. In preparation for this development, Allianz Life has been strengthening its technical capabilities and is currently reviewing and enhancing its products to ensure competitiveness in the liberalised market.

The Group will need to comply with two new accounting standards, namely Malaysian Financial Reporting Standards (“MFRS”) 9 - Financial Instruments, and MFRS 17 - Insurance Contracts, which will apply for annual periods beginning on or after 1 January 2021. Some of the key implications of the implementation of MFRS 9 are that more assets will have to be measured at fair value with changes in fair value recognised in profit and loss as they arise; impairment losses on receivables and loans are to be made earlier; and significant new disclosure requirements will be involved. The Group in collaboration with Allianz SE is embarking on a multi-year project to prepare for the implementation of these financial reporting standards.

## CEO's Message and Management Discussion & Analysis

### TECHNOLOGY

Cyber risk is now a substantial threat to businesses. Companies increasingly face new exposures, including first and third party damage, business interruption and regulatory consequences. Data privacy and protection is one of the key cyber risks, one that Allianz SE Group and the Group take very seriously. We constantly monitor global developments and review our IT security practices in order to circumvent any potential risks to our systems and operations.

### LEGAL

Allianz General had received from Malaysia Competition Commission ("MyCC") a notice of its proposed decision ("Proposed Decision") on 22 February 2017 that Allianz General and all the other 21 general insurers who are members of Persatuan Insurans Am Malaysia ("PIAM") have infringed one of the prohibitions under Part II of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia in relation to trade discount rates for parts for certain vehicle makes and labour hourly rate, which was pursuant to a BNM directive.

The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. Allianz General, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty. The Proposed Decision is not final as at the date of this report and Allianz General in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

### THE YEAR AHEAD: STRATEGIC DIRECTION

On the back of the good performance demonstrated in 2017, we are confident that we have put in place robust strategic initiatives under the Renewal Agenda to drive further sustainable growth in 2018. We have built two strong pillars in life and general insurance and within each we maintain a multi-line, multi-channel model to diversify our risks and opportunities.

For the first time in many years, both developed and emerging economies are expected to show positive growth with the global geo-political environment for the time being appearing to be stable. The Malaysian economy is forecasted to maintain its growth momentum in 2018 with a projected GDP growth in the range of 5.5 to 5.8 percent. However, the insurance industry's growth is likely to continue to lag behind GDP growth as consumers prioritise consumption spending over the purchase of insurance products.

The general insurance industry will likely see some volatility in a fully liberalised environment which can be expected to remain for up to two to three years, as seen in other markets where detariffication has taken place. Competition is likely to intensify leading up to the anticipated next phase of liberalisation in 2019. As market leader in the conventional general insurance market, we believe Allianz General is well-equipped to weather the challenges in the market. Allianz General is determined to maintain its market leadership in 2018 and will continue to drive initiatives to ensure a profitable portfolio and create value for its customers and distribution partners. We will identify and leverage on digital assets to enhance our processes and service proposition to customers.

In 2018, the life business will prepare for the liberalisation of MAR that is currently slated to be implemented beginning 2019. In line with the objectives of the LIFE Framework, Allianz Life will continue to strengthen its agency force with a focus on increasing productivity and activity. Allianz Life aims to ride on its growth momentum with a focus on further developing its distribution especially through agency professionalisation and enhancing the value proposition of its products and services.



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More importantly, 2018 will see the integration of the strategic focus of our life and general businesses under “One Allianz”. Our aim is to leverage on the strengths of each business unit to further advance the growth trajectory of the Group as a whole. There will be collaborations in sales, digital, branding, operations and products to achieve our mission of providing insurance solutions from A to Z.

The Group will continue to implement robust capital management in both its general and life insurance businesses to sustain adequate solvency levels to support business growth, dividend payment and return on equity. The fundamentals that will ensure our sustainable, profitable growth will be in prudent management and the disciplined implementation of initiatives.

## APPRECIATION

I would like to take this opportunity to express our deepest gratitude to Y. Bhg. Tan Sri Razali Bin Ismail, who will be retiring as Chairman and member of the Board of Directors of the Company and its subsidiaries on 22 May 2018. Y. Bhg. Tan Sri Razali has for the last 16 years been a significant influence in guiding the Group on its road of continuous growth and success to date through his astute guidance and wise counsel. On behalf of the management and employees of the Group, we wish him the very best in his future endeavours.

On that note, I am pleased to welcome the appointment of Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim as the Company’s new Chairman. On behalf of the management and employees of the Group, we extend our sincerest congratulations on her appointment.

Our achievements in 2017 were upheld by the loyalty and support of our shareholders, customers, agents, brokers, bancassurance partners, and other business partners. These relationships are key to our continued growth and success. To all the hard-working employees of the Group, thank you for your dedication and commitment to deliver superior customer experience, which is central to our business operations. Most importantly, thank you to our customers for continuing to place your trust in us.

Let us continue to collaborate and innovate in 2018 to realise our business objectives of becoming the insurance retail leader as well as the insurance industry loyalty leader. I am confident we have laid down strong foundations to sustain our business performance in the year ahead.

Thank you.

**Zakri Mohd Khir**  
Chief Executive Officer





*As part of the Allianz Social Innovation Fund, employee volunteers conduct engagement sessions with SOLS Academy of Innovation students throughout an 18-month duration. Find out more on the Allianz Social Innovation Fund on page 91.*



# Sustainability Report 2017



# SUSTAINABILITY REPORT

## CEO's Statement



**Zakri Mohd Khir**  
Chief Executive Officer

“ Through our offerings as well as our direct engagements with disadvantaged communities, we endeavour to ensure that the risks of life experienced by society are equalised, if not better than it was before. ”

As we take steps towards realising a sustainable world, the displacement of many from their fair share to socioeconomic security remains apparent. Despite the tremendous benefits globalisation and technological advancement continues to provide along this journey, we recognise that these economic drivers are insufficient if we are to realise a level playing field for all.

A polarity in opportunities has resulted in a fractured environment, prevailed upon by traditional institutions that struggle to provide the necessary checks and balances as populism and sensationalism threaten to dominate globally. It is under these conditions that our role as an equalising institution becomes ever more crucial, it is therefore important that we do not become weighed down by unwarranted division and our collective unease. As insurers, we are in the business of managing the risks in life faced by society. Through our offerings as well as our direct engagements with underserved communities, we endeavour to ensure that the risks of life experienced by society are equalised, if not better than it was before.

**At Allianz, we believe it is important as ever for us to uphold our responsibility towards creating a sustainable future and equity for all.** Guided by the United Nations Sustainable Development Goals and Allianz Group's Renewal Agenda, we leverage upon our industry expertise and position towards this end. With Allianz Group taking the leading position among all rated insurance companies in the latest Dow Jones Sustainability Index, integrating sustainability into our decision-making and practices ensures that we not only remain relevant in a dynamic and rapidly developing financial services industry, but it allows us to provide accessible and sustainable solutions through our offerings.

**As a restatement of our commitment to social inclusion, we harness upon our role as a responsible insurer to identify gaps in protection and develop needs-based solutions.** This year the launch of several new products, Allianz 3 High Cover and Allianz Diabetic Essential, extends our protection to customers with increasingly prevalent conditions such as high blood pressure and Type-2 Diabetes. We tailor our products to not only provide protection, but to also empower our customers to enhance their quality of life by supporting and incentivising improvements in their health. Another, Allianz Kasih Hayat, is an affordable product catered towards consumers within the B40 income bracket. As we continue to adapt to the evolving needs of society, it is our hope that such offerings will provide our customers with the accessibility and buffers necessary to protect themselves against socioeconomic unpredictability.

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“ Our vision is firmly placed on the long-term realisation and nurturing of a genuine spirit of Malaysian unity founded upon mutual regard, trust and care. ”

We firmly believe that the capacity to innovate directly complements our sustainability strategy. Through strategic digital partnerships with leaders of innovation including fintech accelerator SuperCharger, as well as membership of the Malaysian Global Innovation & Creativity Centre Corporate Entrepreneurship Responsibility platform, Allianz is able to tap in and integrate to a thriving ecosystem of emerging technology and talent. Our customers benefit through innovative products and services with simplified processes, while our employees and agents are exposed to the skills and industrial trends of a digital economy. **As an employer of choice, we harness upon the diversity in talents of our employees and we are proud of their growth as we adapt together towards an economy of the future and long-term value creation.**

**As we look to the future, we remain committed to the equalising of opportunities for all Malaysians. Insurance is after all, the contributions of many to assist the misfortunes of a few.** Integrating sustainability in our decision-making provides us with a holistic approach to our business practices as well as our corporate responsibility initiatives, which are designed around five pillars explored in the later pages of this report. As one of five winners to receive the Allianz Group Social Innovation Fund 2017, we are excited to support the work of SOLS Academy of Innovation with a grant to fund the eighteen-month SOLS Academy of Innovation programme, which provides education to Malaysian underprivileged and indigenous youth. After twelve months of classes, students from the academy will take on a six-month internship in Allianz. Throughout its duration, employee volunteers assist in developing the life and working skills of the students.

Our collaboration with Impact Hub on the ‘Encouraging Future Generations’ Investment Ready Programme, allows us to support local social enterprises that work towards building sustainable livelihoods and the inclusion of underserved communities. Two Malaysian ventures have been selected as finalists to participate in a mentorship programme and to compete for a grant of €40,000. We further champion the efforts of such social enterprises and reiterate our commitment to social inclusion by making it mandatory company-wide to engage the catering services of social enterprises for meetings and events held in our head office.

In response to recent flooding in Penang, alongside the deployment of our Claims Caravan which expedites claims processing for affected customers, we proudly support the work of the Malaysia International Search and Rescue flood response team. We do not forget the plight of Orang Asli communities in the interiors of Kelantan facing a lack of access to food due to heavy floods, and deployed a team of employee volunteers for the delivery of 2.5 tonnes of food. It is under such unfortunate circumstances that we are reminded of the urgency in reconciling development with environmental preservation. Nevertheless, it is under such circumstances that we are able to witness the strength and resilience of Malaysians to overcome and support one another during times of need.

Our vision is firmly placed on the long-term realisation and nurturing of a genuine spirit of Malaysian unity founded upon mutual regard, trust and care. We have faith in this vision, and support it in various ways, including the continued sponsorship of Allianz Junior Football Camp Malaysia League, a grassroots platform for talented local youths to develop their football skills and a Unity Ride organised by Projek57 which saw fifty Malaysians of different walks of life embarking on a cycling trip across the country, ending symbolically on Malaysia day as a promotion of unity among Malaysians. **Moving forward into 2018 we believe it is pivotal, now more than ever, that we set aside our perceived differences in place of our common identity – that of Malaysians, first and foremost.**



Allianz employees celebrating the Unity Ride flag-off at Dataran DBKL on 6 August 2017.

# About this Report

## SCOPE

This report encompasses the sustainable development of Allianz Malaysia Berhad and its subsidiary companies, Allianz General Insurance Company (Malaysia) Berhad (“Allianz General”) and Allianz Life Insurance Malaysia Berhad (“Allianz Life”) in 2017. Allianz Malaysia Berhad, Allianz General and Allianz Life are collectively referred to as “Allianz”. Allianz SE (the holding company of Allianz Malaysia Berhad, its subsidiaries and associated companies) is referred to as “Allianz Group”.

## REPORTING PERIOD

1 January 2017 to 31 December 2017

## REFERENCE AND GUIDELINES

The report was developed with reference to Bursa Malaysia Securities Berhad (“Bursa Malaysia”)’s Sustainability Reporting Guide, Sustainability Reporting Awards (“MaSRA”) Guidelines for Malaysian Companies, the United Nations Sustainable Development Goals (“UN SDGs”), and Allianz Group’s own Sustainability Report.

A digital version of this report is available for public download on our corporate website [allianz.com.my](http://allianz.com.my). Please consider the environment prior to printing a copy of this report.

## OUR KEY SUSTAINABILITY ACHIEVEMENTS 2017

Total number of policies

**3.85 MILLION**

Amount spent on Employee training

**RM3.72 MILLION**

Winner of

**The Edge Top CR Initiatives Award 2017**

Claims paid out to KampungKu policyholders

**RM500,000**

Women in Management Positions

**60%**

Reduction in paper usage

**20.6%**

Number of Users on Corporate Website

**965,000**

Work Well Index Increased to

**74%**

Direct beneficiaries of our CR initiatives

**~31,288**

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# Sustainability Approach

“As managers of risk, insurers are attentive to the changing trends of market and consumer behaviour. This year, risks arising from the pace of technological change came to the forefront with the recurrence of major data breaches, doubling ransomware payments from the previous year at US\$2 billion.<sup>1</sup>”

As cyber hackers increase the sophistication of their attacks, the associated damages are no longer limited to purely financial losses – those affected by the WannaCry attack included the National Health Service in the United Kingdom, causing the temporary shutdown of affected hospitals and delays in patient treatments. This indicates a worrying trend in an age of data proliferation and increasing digital dependency.

Natural catastrophes ranked highly in the Allianz Risk Barometer: Business Risk 2017, echoing the reminder served by major natural disasters spanning countries globally, including Malaysia. The ratification of the Paris Agreement represented a genuine recognition of the environmental challenges requiring our urgent attention. Such concerted approaches towards sustainability enable the transformation of risk into opportunities, encouraging innovation and creativity as we explore ways to meet the demands of a changing society.

The UN SDGs continue to provide a necessary framework for industry decision-makers. Within the insurance industry, our commitment to the SDGs was affirmed through the development of the “Bonn Ambition” which harnesses on the role of insurers as risk managers, risk carriers and investors to convert the targets of SDG 11 (‘Make cities inclusive, safe, resilient and sustainable’) into “Insurance Development Goals” by June 2018.

At Allianz, we remain abreast of global risk trends and incorporate industry-wide commitments through the continual implementation of Allianz Renewal Agenda, which shapes our roles as a **responsible business, an employer of choice** and a **responsible corporate citizen**.

Through our role as a **responsible business**, we develop product and service offerings in tandem with environmental, economic and social (“EES”) considerations. We endeavour to conduct our business ethically and to address the societal concerns faced by our stakeholders, particularly accessible and inclusive protection, the prevalence of chronic diseases and natural disasters.

As an **employer of choice**, we encourage the development of our employees through learning opportunities and a working environment which encourages innovation as well as exposure to skills of a digital economy.

We honour our role as a **responsible corporate citizen** through the integration of sustainability into our business practices and a nurturing of our social responsibilities to society, focusing in particular on disaster risk reduction, financial literacy, the environment, road safety advocacy and community development.

<sup>1</sup> Ransomware Damage Report published by Cybersecurity Ventures in 2017



# Sustainability Governance

The structure of our sustainability governance remains consistent to the previous reporting year. As detailed in **Diagram 1**, our corporate sustainability strategy is overseen by the Allianz Board (“The Board”) with the support of the Risk Management Committee (“RMC”) and Sustainability Working Group (“SWG”), which is in the second year of establishment.

The Board is accountable for overall management of our sustainability strategy. Through an ongoing process of identification and evaluation, the Board establishes the direction of our sustainability strategy.

The Board is assisted by the RMC, which is chaired by an Independent Non-Executive Director and supported by members of the Board. As part of our sustainability governance, it oversees and ensures the integration of the Board-approved sustainability strategy into our business operations.

Our management process in the area of corporate sustainability, including membership and responsibilities of the SWG, is set out in the SWG’s Terms of Reference which became effective in August 2017.

The SWG is chaired by the Head of Allianz4Good and supported by other members of Senior Management and designated officers. It is responsible for the implementation of sustainability initiatives, as well as the monitoring of relevant measures and indicators which are shared in **Table 1**. The SWG provides updates on the progress of Allianz’s sustainability performance to the Senior Management Committees of the respective subsidiaries and the RMC.

**Diagram 1: Sustainability Governance Structure**



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**Table 1: Allianz Sustainability Targets and Indicators (2017 to 2020)**

Theme	Target	Sustainability Matter 2017	Yearly Indicators	Progress in 2017
	To achieve Loyalty Leader position for both subsidiaries	Customer Satisfaction	Results of Net Promoter Score	Allianz General: ↑ 14.7%
			Number of resolved complaints	Allianz Life: ↑ 13.6%
			Average complaint processing time	582
	Adopting technological innovation	Technological Innovation	Increase in users of digital platform available to customers	Allianz General: 7 working days
			Increase in engagement rate on Allianz digital platforms	Allianz Life: 12 working days
		Business Innovation	Website: 965,000	A to Z App: 3,459
			Imagine App: 86%	
			Number of claimed cases reported via digital platform for customers	A to Z App: 1,066
			Number of Allianz operations that have been digitalised	5
The number of digital partners on-board	(i.e. Enhanced Imagine, ePolicy, Banca eSub, AtoZ App & Expert UW)			
Number of policies distributed/sold through digital platforms (Allianz Online)	Allianz General: 27			
	To develop an agile workforce that is aware of and responsive to potential risks	Regulatory Changes	No. of relevant awareness trainings conducted	Allianz General: 1,000
		Ethics & Compliance	No. of relevant awareness campaigns conducted	8
		Quality of Risk Management	Roll-out of awareness campaigns to workforce	5
	Provide employee learning and development	Talent Attraction & Retention	Percentage of employees who attended at least one training session	100%
			Number of training days per employee yearly	48.40%
			Total RM spent on employee training yearly	3.7 days
			Number of employees who completed professional examinations	RM3.72 million
				113

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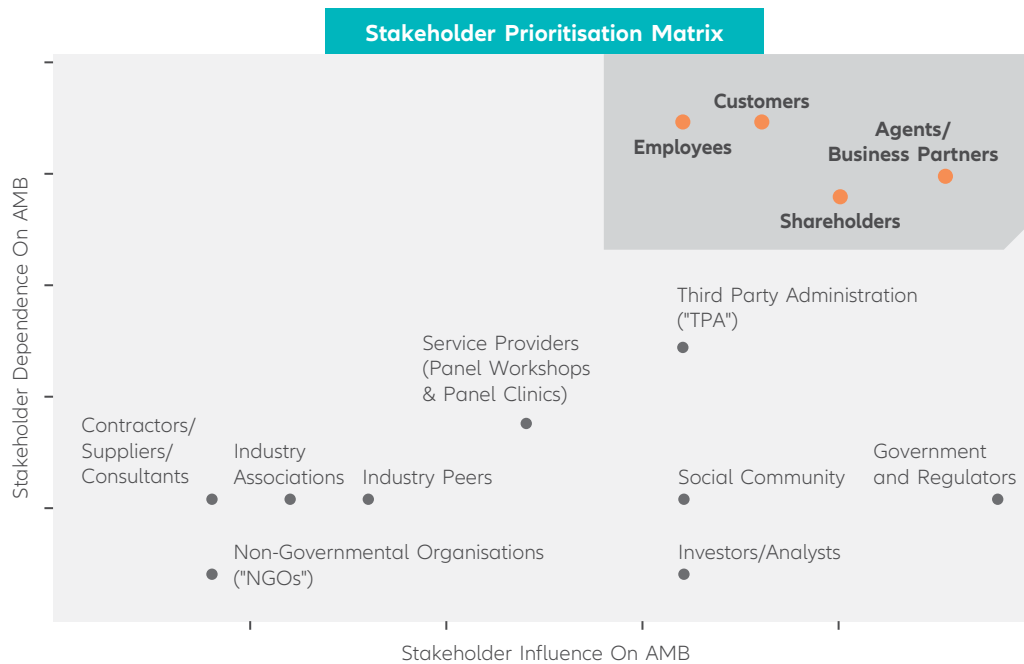
Theme	Target	Sustainability Matter 2017	Yearly Indicators	Progress in 2017
	Having fair employment practices, fostering diversity and equal opportunities	Fair Employment Practices	Employee Engagement Index	81%
			Inclusive Meritocracy Index	82%
			Employees by gender and job position	60% Female Managers
			Employees based on age groups	25 below: 5.57%
				25-34: 38.39%
				35-44: 34.47%
				45-54: 15.57%
55 and above: 6%				
Employees with disabilities	21 employees			
	Increasing consideration of Environmental, Social & Governance ("ESG") matters into business decisions and operations	Integrating Sustainability	Number of Sustainable Solutions offered to customers	4
			Total CO <sup>2</sup> e emissions per employee (kg)	2,879 kg
			Total water consumption (m <sup>3</sup> per year)	22,000 m <sup>3</sup>
			Total amount of electricity consumption (kWh per year)	4,435,000 kWh
			Total amount of paper consumption (kg per year)	119,216 kg
			Total amount of paper recycled (kg per year)	43,417 kg
				To reduce societal risks and equalise opportunities of underserved communities
Total volunteering man hours	1,470 hours			
Total amount allocated for beneficiaries through Corporate Responsibility (RM allocated yearly)	RM2,379,500.00			
Total amount of donations company-wide to support local communities (RM yearly)	RM562,561.27			
Total amount of sponsorships company-wide (RM yearly)	RM1,867,596.60			
Number of community partners	47			



# Stakeholders as Game Changers

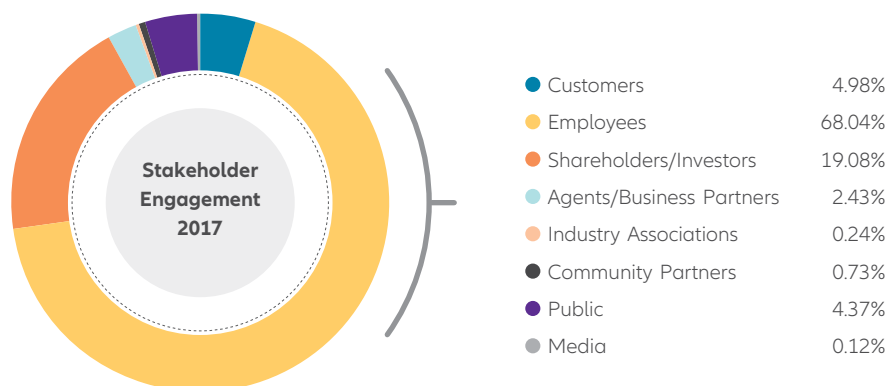
We believe decision-making built upon the inclusion of diverse views is fundamental to sustainable growth. Following an extensive stakeholder prioritisation exercise conducted by the SWG and an external sustainability consultant in the previous year, we have retained our stakeholder prioritisation for 2017. The stakeholders identified to have the most influence and dependency on Allianz are our Customers, Shareholders, Agents/Business Partners and Employees, as illustrated in **Diagram 2**.

**Diagram 2: Stakeholder Prioritisation Matrix**











The breakdown of respondents to our Sustainability Survey 2017 is indicated in **Diagram 3**. Through the various channels listed in **Table 2**, we were able to engage our identified high priority stakeholders and other stakeholder groups to gauge the EES topics they perceive as most material to Allianz. A multi-platform approach enabled a wider distribution of respondents compared to previous years. We endeavour to continually broaden our engagement in coming years.

**Diagram 3: Respondent Breakdown**



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**Table 2: Outcome of Stakeholder Engagement**

Stakeholder Groups	Engagement Channels	Key Areas of Concern	Allianz Response
<b>Customers</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Online platform (e.g. corporate website, social media, smartphone applications and mobile messaging)</li> <li>Customer satisfaction survey (Net Promoter Survey)</li> <li>One-to-one meetings with customer mediators (e.g. Federation of Malaysian Consumers Association)</li> <li>Community events</li> </ul>	<ul style="list-style-type: none"> <li>Technological Innovation</li> <li>Business Innovation</li> <li>Ethics &amp; Compliance</li> <li>Integrating Sustainability</li> </ul>	 (Page 62 – 76)  (Page 86 – 105)
<b>Employees</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Allianz Employee Survey</li> <li>Employee on-boarding training</li> <li>Townhall meetings</li> <li>Allianz internal publications (e.g. monthly newsletters and quarterly magazines)</li> <li>Allianz staff portal</li> <li>Learning and development programmes</li> <li>Corporate volunteering programmes</li> <li>Direct employee feedback</li> <li>One-to-one Interviews</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Technological Innovation</li> <li>Business Innovation</li> <li>Regulatory Change</li> <li>Ethics &amp; Compliance</li> <li>Fair Employment Practices</li> <li>Quality of Risk Management</li> </ul>	 (Page 62 – 76)  (Page 77 – 85)
<b>Agents/ Business Partners</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Allianz internal publications (e.g. Agents magazine and quarterly magazines)</li> <li>Seminar and annual marketing Conventions</li> <li>Agents training sessions</li> <li>Online platform (e.g. corporate website, social media, smartphone applications, mobile messaging and Allianz agent portal)</li> <li>Corporate volunteering programme</li> <li>Corporate events (e.g. festive dinner)</li> <li>One-to-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Ethics &amp; Compliance</li> <li>Societal Change</li> <li>Technological Innovation</li> <li>Talent Attraction &amp; Retention</li> <li>Community Development</li> </ul>	 (Page 62 – 76)  (Page 77 – 85)  (Page 86 – 105)
<b>Industry Associations</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Public partnerships</li> <li>One-to-one meetings</li> </ul>	<ul style="list-style-type: none"> <li>Ethics &amp; Compliance</li> <li>Regulatory Changes</li> <li>Quality of Risk Management</li> </ul>	 (Page 62 – 76)

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Stakeholder Groups	Engagement Channels	Key Areas of Concern	Allianz Response
<b>Investors/ Shareholders</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Annual General Meetings</li> <li>Quarterly analyst briefings</li> <li>Quarterly Reports and Annual Reports</li> <li>Shareholders' circulars</li> <li>Fund Performance Reports</li> <li>Online platform (e.g. corporate website and social media)</li> <li>One-to-one meetings with fund managers and investors</li> <li>Media releases</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Ethics &amp; Compliance</li> <li>Technological Innovation</li> <li>Business Innovation</li> <li>Integrating Sustainability</li> <li>Regulatory Change</li> <li>Talent Attraction &amp; Retention</li> </ul>	<ul style="list-style-type: none"> <li> (Page 62 – 76)</li> <li> (Page 77 – 85)</li> <li> (Page 86 – 105)</li> </ul>
<b>Community</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Online platform (e.g. social media and smartphone applications)</li> <li>Corporate volunteering programmes (e.g. community events, knowledge-sharing initiatives and partnerships with Non-Governmental Organisations)</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Ethics &amp; Compliance</li> <li>Community Development</li> <li>Integrating Sustainability</li> <li>Technological Innovation</li> <li>Business Innovation</li> </ul>	<ul style="list-style-type: none"> <li> (Page 62 – 76)</li> <li> (Page 86 – 105)</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>Sustainability Survey 2017</li> <li>Press conferences and events</li> <li>Media releases</li> </ul>	<ul style="list-style-type: none"> <li>Customer Satisfaction</li> <li>Technological Innovation</li> <li>Business Innovation</li> <li>Regulatory Change</li> <li>Ethics &amp; Compliance</li> <li>Talent Attraction &amp; Retention</li> <li>Fair Employment Practices</li> </ul>	<ul style="list-style-type: none"> <li> (Page 62 – 76)</li> <li> (Page 77 – 85)</li> <li> (Page 86 – 105)</li> </ul>

**Legend**



Responsible Business



Employer of Choice



Responsible Corporate Citizen



# Materiality

The effective use of resources along our sustainability journey relies on continual appraisal and a prioritisation of material issues which have the most significance to our sustainability impact. Thus it is important that we not only consider our operating environment or global and industry-specific trends, but it is essential that we engage our internal and external stakeholders to identify the areas they view as most crucial.

## METHODOLOGY

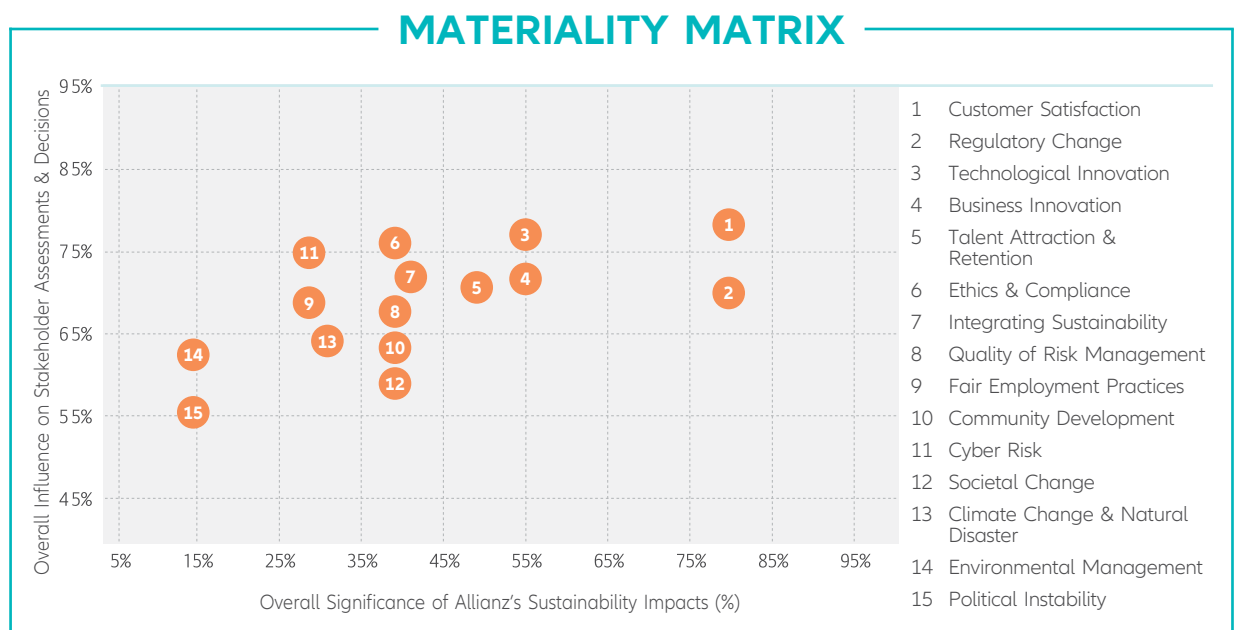
We have retained the structured materiality assessment approach developed with an external sustainability consultant in 2016 as guided by Bursa Malaysia's Sustainability Reporting Guide, the UN SDGs and Allianz Group's sustainability approach. In the previous reporting year, our materiality assessment exercise was based upon 27 sustainability matters which have been consolidated into 15 sustainability matters in 2017. By addressing overlaps in the earlier sustainability matters, our stakeholders are provided with greater clarity while also allowing us to formulate an integrated sustainability strategy.

Our stakeholder engagement process began with a 'Sustainability Megatrends and Solutions Form' distributed to shareholders during our Annual General Meeting in May 2017. Respondents were required to rank thirteen Sustainability Megatrends and eight Sustainable Solutions in order of importance and expected prioritisation by Allianz, with 149 shareholders participating in the survey. The outcome of this exercise enabled us to develop our Sustainability Survey 2017, which was approved by the SWG on 7 November 2017 and distributed to eight stakeholder groups between October 2017 and February 2018.

Through the channels highlighted in **Table 2**, stakeholder groups were engaged through interviews and an online survey to rate our identified sustainability matters on a scale of importance from Low Importance (1) to High Importance (4). This was followed by a sustainability risk assessment exercise, based on our existing internal risk assessment criteria, to determine the probability of occurrence and level of impact each sustainability matter has on Allianz.

A materiality matrix presented in **Diagram 4** identifies the matters of most importance to our prioritised stakeholders and to Allianz. The top ten matters listed in **Table 3**, have shaped the focus of this report and are categorised into three themes: **Responsible Business, Employer of Choice** and **Responsible Corporate Citizen**.

**Diagram 4: Materiality Matrix**



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**Table 3: Top 10 Material Sustainability Matters of Allianz**

Rank	Themes	Material Aspect	Scope of Sustainability Matter	Renewal Agenda
1		Customer Satisfaction	Customer-centric decision-making, relevant and timely support, value-added services, responding to customer feedback	True Customer Centricity
2		Regulatory Change	Detariffication, increasing market competition due to industry changes, introduction of new laws and policies	Technical Excellence
3		Technological Innovation	Digitalisation of processes, automation, using big data, online offerings	Digital by Default
4		Business Innovation	Business development into new segments/markets, emerging fintech industry, adapting to future work trends	Growth Engines
5		Talent Attraction & Retention	Learning and development, rewards and remuneration, career opportunities, workplace satisfaction	Inclusive Meritocracy
6		Ethics & Compliance	Transparent communications, good corporate governance, responsible sales conduct, clear and accurate marketing	Technical Excellence
7		Integrating Sustainability	Taking environmental, social, and governance matters into consideration in business and investment decision-making, providing appropriate/needs-based insurance solutions	Growth Engines
8		Quality of Risk Management	Operational Risk, Underwriting Risk, Credit Risk controls, Market Risk	Technical Excellence
9		Fair Employment Practices	Diversity and equal opportunities, Health, safety and well-being, Open communications	Inclusive Meritocracy
10		Community Development	Corporate giving, volunteering opportunities, providing accessible and inclusive insurance solutions	Growth Engines

# Customer Satisfaction

## Living Customer Centricity



1

Allianz  
Sustainability  
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With insurance being a business built upon a foundation of trust and care, our commitment to customer satisfaction underlines our company's ethos of living customer centricity. This is embodied within a core value of our Allianz Group Renewal Agenda, True Customer Centricity, which ensures that a prioritisation of customers' experience is entrenched across the organisation - encompassing our employees, business partners, service delivery and product offerings. Fundamentally, we are driven by our promise to provide assurance for our customers during their 'Moments of Truth'.

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The adoption of our Customer Excellence ("CX") methodology in 2016 enabled us to identify customers' pain points throughout their journey in order to tailor appropriate remedies and solutions. The CX journey for Allianz continued in February 2017 with the kick-off of the 'Policy Servicing Customer Journey Mapping and Ideation' Workshop session, where participants from different functional areas mapped out customers' policy servicing requests to identify any corresponding pain points.

The outcome of the CX exercises shaped the introduction of several initiatives to improve customer experience across every touch point. The incorporation of True Customer Centricity into our employee and agent performance evaluation has returned positive results as reflected in a remarkable improvement of our Net Promoter Score ("NPS") discussed in the following section.

### UNDERSTANDING OUR CUSTOMERS

The NPS represents a crucial measure of customer loyalty and offers valuable insight on customers' interactions with us. Conducted annually, the NPS is executed in coordination with Allianz Group to ensure streamlining of methodology and standards across the group. Our NPS scores for year 2016 and 2017 are presented in **Table 4** below.

**Table 4: Net Promoter Score**

	Top Down NPS Performance 2016	Top Down NPS Performance 2017	
Allianz General	-19.3% (Market average = -22.8%)	-4.6% (Market average = -13.5%)	↑ 14.7%
Allianz Life	18.8% (Market Average = -12.9%)	-5.2% (Market Average = -10.6%)	↑ 13.6%

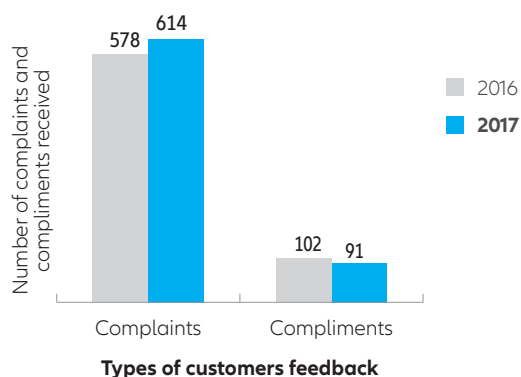


We are pleased to note that both Allianz General and Allianz Life have enjoyed an improved market position in 2017. Most remarkably, Allianz General has become the leading Loyalty Leader, with service as a key lever to this position. Allianz Life has improved to an Above Market position, with quality and value of our products as the most relevant business drivers in this segment.

### MOMENTS OF TRUTH

We are receptive to responses received through other channels of customer feedback, including our branches, corporate website, social media platforms, e-mail and customer contact centre. In line with our target to improve the quality of our complaint resolution rather than reducing the volume of complaints, company-wide training on complaint management and resolution was conducted for all employees. This has encouraged a mindset shift towards complaints among our employees, where feedback and complaints are viewed as an opportunity to do better and improve our service standards.

**Diagram 5: Number and types of customer feedback received**



This shift, in conjunction with an improvement of our customer feedback methodology adopted last year, has resulted in a slight increase in the number of customer complaints as illustrated in **Diagram 5**. However, there is a declining trend in the rate of increase in complaints, with a 5.7% increase in number of customer complaints between 2016 and 2017, in comparison to a 15% increase between 2015 and 2016. This indicates a positive trend in response to our efforts in transforming customer experience.

## ADDRESSING CUSTOMERS' PAIN POINTS

### FROM CUSTOMER SERVICE TO CUSTOMER ADVOCACY ROADMAP

Listening to customers' feedback inspires Allianz to develop pioneering solutions. The implementation of innovative approaches to customer experience alongside the introduction of value-added services has allowed us to exceed our customers' expectations.

From Customer Service to Customer Advocacy Roadmap initiative is a vehicle for our efforts to ensure customer satisfaction and a fulfilment of our promise as a reliable partner. Since 2015, this roadmap has allowed us to shift away from transactional modes of customer service traditional to the insurance industry. By leveraging upon analytics and state of the art technology, we are able to develop a greater standard of customer service in Allianz. The roadmap, elaborated in **Table 5**, is a four pillar strategy developed to realign our thinking processes and methodology when servicing our customers. It is segregated into two phases, the first being a two-year 'Back to Basics' phase which ended in 2017. Moving forward in 2018, the second phase will be a period for us to initiate a 'New Gold Standard' in customer service.

In addition to efforts towards simplifying our policies and forms, we have taken measures to standardise and personalise the way we correspond with our customers by removing words and phrases that are not easily understood. Our two-year 'Business Writing' programme is divided into four stages, the first being the development of an Allianz Standard in business writing. The second and third stage involves training of our employees alongside subject matter experts that review our existing correspondence with customers. During the final stage, all letters within the organisation are reviewed and archived within a library available for reference to all employees, which will ensure that any mistakes are avoided in future correspondence.

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**Customer Advocacy Transformation Project:  
Case Management System**

Another element to the roadmap is the training of our customer advocacy associates towards a relationship management and advisory role based upon enhanced skills and knowledge, while freeing them of unnecessary processes that can be replaced by automation thus allowing more time to be spent on customers.

We utilise technology to map customer experience. An example is our new case management system, which is an automated platform that provides efficient workflow for our Customer Advocacy Associates and a shorter Turnaround Time ("TAT"). Both our employees and customers benefit from a response tracking and knowledge management system which tailors information according to a customers' enquiry, while eliminating the duplication of complaints or questions throughout their journey with us.

An interaction log is then generated and made available on the customers' profile for future reference. Upon resolution, customers can provide feedback on their experience via a multiplatform survey available through SMS, email or social media channels.

Following the launch of our Facebook messaging channel, customers are able to engage assistance through a live chat available on our corporate website during business hours.

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**Table 5: From Customer Service to Customer Advocacy Roadmap**

<b>From Customer Service to Customer Advocacy Roadmap</b>	
<b>Phase 1: Back to Basics (2015 - 2017)</b>	
<b>Phase 2: The New Gold Standard (2018 - 2020)</b>	
<b>Platform</b>	<p>Customer Relationship Management</p> <ul style="list-style-type: none"> <li>An omni-channel which consolidates feedback from across all our touchpoints. This platform provides assurance to customers by ensuring continuity in our engagements and addressing of their concerns</li> </ul> <p>Customer-friendly interactive voice response</p> <ul style="list-style-type: none"> <li>Option to directly speak to friendly Customer Advocacy Associates</li> <li>24/7 self-service</li> </ul>
<b>People</b>	<ul style="list-style-type: none"> <li>Development of certification in collaboration with Human Resources department for all front-facing employees to equip them with adequate technical knowledge</li> <li>Engaging external providers to establish service-skills training for employees</li> <li>Developing 'Customer Service Personas' to tailor service experience according to expectations of different segments</li> </ul>
<b>Policies</b>	<p>Customer Policies</p> <ul style="list-style-type: none"> <li>Complaint Governance</li> <li>Civility and Mutual Respect</li> </ul>
<b>Partners</b>	<ul style="list-style-type: none"> <li>Developing mechanisms to provide support to our intermediaries in their relations to customers</li> <li>2018 onwards</li> </ul>



### CUSTOMER SERVICE INSTITUTE

The Customer Service Institute is an initiative piloted by Customer Advocacy in association with our Human Resources division in 2017. The institute comprises of classroom training, on-the-job training, certification, refreshers and communication that encompass the pillars of our From Customer Service to Customer Advocacy Roadmap. Through collaborations with other departments such as underwriting and claims, intensive training opportunities are provided to customer advocacy associates. By gaining in-depth knowledge and on-the-job experience, associates are then considered subject matter experts who are able to better understand aspects of the business relevant to their dealings with customers.

The relatively low attrition level of our contact centres, at less than 10% in 2017, ensures that we can provide consistent and high quality service to our customers via knowledgeable and experienced customer advocacy associates. In addition to improving customer experience, this supports the development of a highly skilled and capable workforce in Allianz.

### ALLIANZ ROAD RANGERS

The success of Allianz Road Rangers in the Klang Valley area, launched just twelve months earlier, has encouraged us to launch the service nationwide in January 2018. This will allow a greater number of customers to enjoy benefits of the service designed to alleviate stress faced following a motor accident.



Allianz Road Rangers introduced seven new service touch points along the motor claims journey to ensure that we are with our customers every step of the way. This includes assistance in getting their vehicle to the police station, lodging police reports, getting the vehicle to our authorised panel repairers, ride-sharing services and delivering it back to the customer.

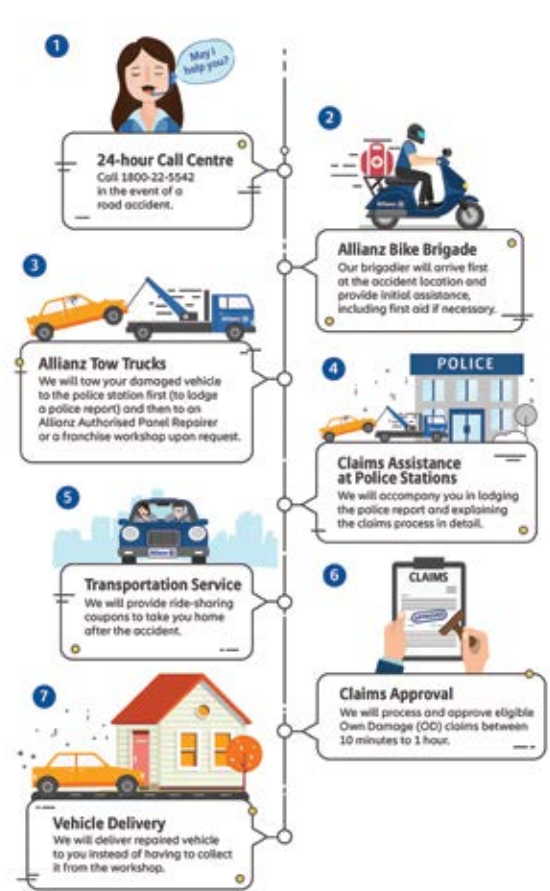
In general, customer's calls for the Allianz Road Rangers service are answered within three rings and they will be assisted by a Bike Brigade who arrives within twenty minutes. Depending on traffic conditions, the Road Ranger will arrive within 45 minutes. Additionally, the TAT for claims processing has reduced from 5 days to 60 minutes.

My First 100 Days with Allianz

To reassure customers from the beginning of their journey with Allianz, a welcome email with information on the product purchased is sent within 14 days of a customer receiving their e-policy.

This is followed by a welcome call for customers to complete a compliance questionnaire which ensures their understanding of their product, its benefits and features and to provide an opportunity for clarification. During this call, customers are offered the option to register to our Customer Portal, which enables customers to access their information as and when they require.

Customers may also opt to receive an e-Newsletter which aims to educate on the importance of insurance protection.





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### Agency Transformation: Customer Contact Management

We launched the first Customer NPS Online Survey on Agent Service in July 2017 with participation from 1,500 customers gaining 76% favourable comments.

Responses garnered from this exercise assist us in addressing areas of dissatisfaction more efficiently. Analysis indicated a strong correlation between high customer engagement and a positive NPS outcome.

Customer Contact Management is a mechanism for agents to track the number of policies held by their clients, and the extent to which they nurture their relationship with each customer after sales.

Harnessing upon technological advancements has allowed us to explore other methods of addressing customer pain points, to adapt to changing consumer expectations and to improve our process efficiency. These initiatives are elaborated further in the sections on **Technological Innovation** and **Business Innovation** respectively.



#### AZ CLINIC

Another initiative introduced by Allianz is the launching of our AZ Clinic located in Kepong since December 2017. The AZ Clinic is a specialised centre for medical screenings and examinations enabling a seamless and hassle-free process for customers and agents. With this, customers can enjoy faster TAT and simpler medical examinations tailored for underwriting purposes.

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# Regulatory Changes

## Protecting our Customers



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Allianz  
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Regulatory changes continue to play a tremendous role as reflected by its high sustainability ranking. The second phase of detariffication for the motor insurance industry came into effect in July 2017, with gradual tariff adjustments of our fire segment to follow. With guidance from other members operating in liberalised markets within the Allianz Group, we have benefited greatly from their experiences to equip ourselves in preparation for these changes.

Despite challenges introduced from a highly competitive environment, regulatory changes provide opportunities for us to innovate our products and services in a manner that is of greater benefit to our customer base. Bearing in mind the importance of regulatory changes in protecting and empowering customers, we welcome such opportunities to continually improve.

By leveraging upon technological and business innovation, we are able to meet such changes through the development of superior products and services, as highlighted in the **Customer Satisfaction, Technological Innovation** and **Business Innovation** sections of this report.

Following the issuance of the Life Insurance and Family Takaful Framework in 2015, the deregulation of operating cost control limits and the implementation of the Balance Scorecard framework becomes effective throughout the insurance industry in 2018. The introduction of this guideline requires system enhancements and training of our agents which complements our existing mechanisms to emphasise professional conduct among our employees, intermediaries and business partners. These are elaborated further in the **Ethics and Compliance** section of this report.

Regulatory changes extend to other areas of our operations, with the impending implementation of IFRS 9 in 2018 and IFRS 17 in 2021 as examples. Being complex accounting and financial reporting standards requiring pre-emptive preparatory steps, Allianz is committed to comply by providing in-house and external consultant training for relevant employees, as well as the establishment of a working group to address operational issues that may arise from the introduction of these complex standards.



### Out with the Old, In with the New: Increasing E-Payments

In an effort to accelerate the migration towards electronic payments as part of the Financial Sector Blueprint 2011-2020, Bank Negara Malaysia ("BNM") will begin to impose a higher cheque processing fee. BNM targets to increase the number of e-payment transactions from 4 transactions to 200 transactions per capita, and reduce cheque usage by more than half from 207 million to 100 million per year.

Following this, the e-Payment Incentive Fund ("ePIF") Framework, which is designed to phase out cheque usage in the sector, becomes effective 2 January 2018. We support this initiative which carries the aim of improving economic efficiency as Malaysia transforms into a high value-added and high-income economy. The e-payment system will further aid in mitigating occurrences of fraudulent activity.



### In the Age of Digital: European Union General Data Protection Regulation ("GDPR")

The GDPR which takes effect in May 2018 is designed to harmonise data privacy law across Europe to protect and empower all EU citizens. Due to the GDPR's extraterritorial nature, all operating entities under the Allianz Group are bound to the regulation.

In 2016, Allianz commenced a three-year programme, Allianz Privacy Renewal Programme ("APRP"), to address the requirements of the GDPR. With mandated levels of data protection and IT security, the APRP facilitates the global transfer of personal data across the Allianz Group.

The existing Data Privacy Management System under the Allianz Standard for Data Protection and Privacy is being updated to ensure compliance to the GDPR.

More on data privacy and security can be found in the Ethics & Compliance section of this report.

# Technological Innovation

## Digital by Default



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The inevitability of technological disruption has become increasingly apparent to our stakeholders, with technological innovation continuing to rank highly in our material sustainability matters, indicating a long-term trend of importance. With consideration of changing consumer behaviours and expectations, our capacity to innovate is not isolated solely to our ability to remain an economically viable business, but it provides an opportunity for us to revamp customer experiences by means of process efficiency and seamless access to our products and services across multiple channels. Our perception of technological disruption as an opportunity rather than a threat is shared with 61% of the 100 insurance CEOs surveyed by KPMG International in their 2016 report "Preparing to Disrupt and Grow".

### ENHANCING TOUCH POINTS

At present, aside from our traditional channels of engagement, customers can engage us through multiple digital platforms which include our corporate website as well as social media messaging tools such as Facebook, LinkedIn and Instagram. In 2016, we expanded our digital presence with the launch of our Allianz A to Z mobile application. Moving forward, we have made attempts to enhance the quality of our existing touch points.

### ALLIANZ ONLINE

In line with our aim to develop a digital ecosystem with seamless customer access, we have made a range of online offerings with automated purchasing processes available on Allianz Online. These presently include Enhanced Road Warrior, Smart Home Cover, Allianz Flight Care, Allianz Travel Care, Allianz i-Essential Cover and Allianz i-Hospital Cash. Customers are also able to request e-quotations for certain products and will then be serviced by an agent at the point of purchase. We have sold over 1,000 policies through the Allianz Online platform, with more products in the pipeline for distribution via this technology. Allianz Online is developed based upon Open Application Programming Interface ("API") technology for seamless integration between Allianz and our digital partners. More information on our API system can be found in the **Business Innovation** section of this report.

### TECHNICAL EXCELLENCE THROUGH AUTOMATION

There is an increasing dependency among customers on the ease of access and reduced TAT provided by automation. Our Allianz A to Z app enables customers to access information on their policies, including medical cards, search for panel clinics and hospitals as well as submission of hospital guarantee letter requests.

Additionally, customers are able to digitally submit their medical claims at any time through the Allianz A to Z app utilising photos of their medical bills. This mechanism has proven to be a success among customers, with our NPS score tripling for mobile app reimbursements. To ease usage for our customers, an Allianz A to Z app tutorial video is publicly available on YouTube. Feedback on the ease of claim submissions made through the Allianz A to Z app is detailed in **Table 6** below.

#### Facebook page

19,000 new Likes in 2017 (increase of 10%)  
9,797 comments and 19,478 shares



Our corporate website [allianz.com.my](http://allianz.com.my)

#### Website Traffic

Total sessions have increased by 50% to 2.7 million  
Number of users have increased by 13% to 965,000  
Bounce rate has reduced to 22.2%



**Table 6: Allianz A to Z app feedback**

Ease to submit claims	Feedback
Very easy	48%
Easy	50%
Difficult	2%
Very Difficult	nil

A new venture into automation is the implementation of the Expert Underwriting System (“EUW”) which delivers optimum risk selection, shorter sales cycles as well as a more efficient and diverse distribution model. The system utilises a pre-defined rule engine which enables auto-approval of simple medical cases. The EUW offers simpler and less questions, allowing customers and agents to know underwriting decisions within minutes.

Another initiative along our digital journey is the introduction of our e-Policy project which delivers policy contracts, statements and letters to Allianz Life policyholders through email. Additionally, our customer portal provides convenience for customers to access, download and print their documents at any time. Most importantly, the e-policy project provides customers with reduced TAT in delivery, while reducing unnecessary printing costs and paper usage. This system is being offered to our Allianz General policyholders in 2018.

Initiatives to improve process efficiency for our Allianz General business include the implementation of an e-Collection mechanism in our existing ALPHA system. This allows our agents to submit payments online without the need to visit a branch. In addition, the ALPHA system generates electronic statements of account by default, providing further convenience for our agents while reducing the need for unnecessary printing and bulk storage.

A significant reduction in Allianz General’s overall TAT contributed in part by automation of our processes is indicated in **Table 7**. Moving forward, we are taking efforts to further enhance the Imagine App and improve the mobile-friendliness of our ALPHA system.

**Table 7: A significant reduction in Allianz General’s overall Turnaround Times contributed in part by automation of Allianz processes**

Insurance Products	Change in Turnaround-time
Non-motor (<RM3K)	96 hours to 72 hours
Non-motor (RM3K – 20K)	23 working days to 21 working days
Non-motor (RM20K – 50K)	35 working days to 28 working days
Motor Own Damage* (<RM15K) <i>(*for private cars less than 7 years old and repaired by an Authorised Panel Repairer)</i>	5 – 7 working days to 10-60 minutes

Since May 2017, processing of Own Damage claims and payments to our workshops are automatically generated without human intervention. This has allowed the registration and payment turnaround cycle time to be reduced tremendously, as indicated in **Table 8** below.

**Table 8: Turnaround Cycle for Workshop Registration and Payment Roadmap**

Registration	Payment
20 hours to 2 hours	45 days to 14 days



**The Allianz Way of Selling:  
Needs Discovery**

Our Imagine mobile application (“Imagine App”), a tool developed to assist our life agents at point of sales, was enhanced in October 2017.

The Imagine App improves user experience and reduces the number of questions required to provide faster underwriting decisions.

As an added feature to the existing customer fact-finding module, the enhanced Imagine App includes an inbuilt intuitive analysis tool which identifies a customer’s needs to ensure the right insurance plan is proposed to them.

Since its launch, over 9,500 Needs Discovery journeys have been performed for a total of over 5,000 customers and prospects.



# Business Innovation

## Preparing for an Economy of the Future



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### STRATEGIC DIGITAL PARTNERSHIPS

Operating in a dynamic business environment requires a corporate strategy bolstered not only by technological innovation, but also a harnessing of strategic partnerships which allow us to fully realise our potential within the digital ecosystem. Allianz presently benefits from digital distribution partnerships with twenty-seven established players in the market, permitting customers access to our products and services as and when necessary. An example is our successful partnership with Speedrent, a mobile application which connects landlords directly to tenants. Insurance coverage for landlords are bundled into the Speedrent operational fee and standardised according to the monthly rental of a property, thus providing peace of mind for landlords.

Allianz is a key insurance partner in support of Malaysia Digital Economy Corporation (“MDEC”)’s 3-year plan to develop a leading financial technology hub in Southeast Asia. Together with MDEC, we have embarked on a joint partnership with Standard Chartered Bank Berhad in Asia’s leading fintech accelerator - SuperCharger FinTech Accelerator programme. This programme provides ten finalists a structured curriculum emphasising strategic relationship-building, shared learning, corporate partnerships and investment-raising.



### FinTech & Innovation Programme for C-Suite & Senior Managers

Nineteen C-suite officers and senior managers participated in a three-day FinTech and Innovation Programme offered by Singapore Management University held in November and December 2017.

The learning programme was conducted by Dan Liebaw, founder of Lightbulb Capital and former COO of HSBC Securities Singapore.

A company-wide course is anticipated to take place in 2018 for all Allianz employees.

This partnership offers us access to a global network of start-ups and fintech companies, allowing us to develop targeted solutions for the improvement of four areas of identified importance: customer requisition, underwriting, claims and operations efficiency. Further to this, five members of the Allianz General Digital Innovation and Partnership team completed the SuperCharger FinTech Graduate Training Programme held from 3 to 5 November 2017. The programme was an intensive project-based workshop which concluded with presentations to four start-ups in the SuperCharger Accelerator Programme.

Allianz’s Chief Digital Officer and Allianz General’s Head of Affinity & Digital Partnerships (third and fifth from the right, second row) with ventures under the SuperCharger FinTech Accelerator Programme



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We are further collaborating with MDEC on the establishment of e-USahawan and the Digital Free Trade Zone, which facilitates SMEs to capitalise on the growth of the internet economy and cross-border e-Commerce. Allianz endeavours to bolster insurance awareness among SMEs through online courses available on the SME-targeted learning hub, Go eCommerce.

Another significant development in our innovation journey is our Memorandum of Understanding (“MOU”) with the Malaysian Global Innovation & Creativity Centre to support the development of entrepreneurship and innovation across Malaysia under the Corporate Entrepreneurship Responsibility Circle and Activate Programmes. Through this, we are able to work closely alongside budding start-ups and assist their growth into successful enterprises.



### Usage-Based Insurance (UBI)

We believe data analytics can deliver more informed business decisions and better solutions in a liberalised market. We have integrated data science into our operations through partnerships with telematics service providers which enables the incorporation of customers’ driving behaviour into the pricing of their insurance premiums.

An MOU involving Allianz, Etiqa and Axiata has been signed with Katsana, a leading data company focusing on usage-based insurance which aims to improve driving behaviour through gamification.

### PARTNER API SYSTEM

We are continuously expanding our offering of API-enabled digital products. Aside from lower distribution costs, we are able to broaden our reach in comparison to traditional distribution channels. This system provides the capacity to expose our core products and services to external parties without tailoring an API for each partner, while speeding up the development of digital platforms for Allianz product distribution.

In 2017, we launched four API-enabled products: Enhanced Road Warrior, Short Term Enhanced Road Warrior, Smart Home Cover and Allianz Travel Care. Customers that purchase Allianz products via our car-sharing service partners, such as Rideeasy or Kwikcar, enjoy auto-generated policies within two minutes.



Customers can purchase or request quotations through Allianz Online ([quote.allianz.com.my/onlinequote/](http://quote.allianz.com.my/onlinequote/))



SUSTAINABILITY REPORT

Responsible Business

Business Innovation: Preparing for an Economy of the Future

PROTECTION FROM A TO Z

Innovation at Allianz is driven by our desire to be a truly customer-centric business. Our endeavours in the digital sphere greatly support this aim; however we are cautious to not abandon the human element in our operations. Beyond the complexities of technological innovation, we believe in a 'back to basics' approach which depends on identifying and developing needs-based offerings for segments disenfranchised by existing products and services in the market.

Launched in July 2017, Smart Home Cover is a modular home insurance comprised of five components: HouseOwner, HouseHolder, Mortgage Loan Instalment Protection, Home Fix and Landlord Insurance. The first of its kind, Smart Home Cover is a flexible and easily customisable insurance which can be designed according to the needs and budget of a customer. Developed with customers' pain points in mind, this plan extends coverage to landlords and offers reimbursement of home repair services solicited via our partners, Recommend.my or ServisHero.

With an increasing prevalence of chronic illnesses, our newly launched Allianz 3H Cover and 3H Critical Cover extends our protection to those suffering from the "3 Highs" of high cholesterol, high blood pressure and high Body

Mass Index as well as four major critical illnesses linked to these conditions, which include strokes, heart attacks, kidney failure and cancer. Similarly, our Allianz Diabetic Essential plan launched in October 2017 is the first standalone medical plan designed for those with Type-2 Diabetes. These products do not only offer coverage for those usually faced with limited insurance options, but they are designed to empower customers towards improving their quality of life through in-built health management plans. Improvements in a customers' condition will be rewarded with complementary extended policy coverage or discounted premiums.



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#StrongerTogether: The AZi Asia 2017 Conference

We hosted the AZi Asia 2017 Conference held in Kuala Lumpur on 19 July 2017. The inaugural conference was attended by 230 Allianz delegates from the Asia Pacific Region. The conference aimed to reinforce the collaborative spirit of innovation and growth in the Asia Pacific and among Allianz operating entities within the region.

Topics discussed during the one-day conference included Partnerships and People, Customer Centricity, Asia's Property and Casualty Transformation and Digital and Data Science. Guest speakers included former Group Chief Innovation Officer of Ping An Group, Daniel Tu who spoke about Digital Disruption, and President and Founder of Ogilvy Center of Behavioural Science, Christopher Graves who presented on Customer Centricity.



# Ethics & Compliance

## Ensuring Transparency & Accountability



This year, the scope of our Ethics and Compliance sustainability matter has widened to encompass transparent communications, responsible sales conduct as well as clear and accurate marketing. At Allianz, we enforce stringent ethical standards to ensure transparency and accountability through the implementation of policies and guidelines as elaborated in **Table 9**.

### TRANSPARENT COMMUNICATIONS

Through an interview with the Federation of Malaysian Consumer Associations (“FOMCA”), we discovered that convoluted and complex insurance forms remain a prevalent complaint among customers. We continue our efforts to simplify our communications with customers, particularly in the language utilised in our policies and brochures. There are certain challenges in this journey, as the use of simple wording can sometimes require lengthier explanations. Further to this, a lack of translation experts within the insurance industry can pose an obstacle towards simplification, as content simplified in English may not be as easily simplified in other languages.

Nonetheless, we have taken steps to simplify our communications through other means, such as the reduction in the number of questions asked in our forms. We have increased the availability of instructional videos, including the use of visuals and icons which improves the clarity of information available on our corporate website and other digital touch points. The use of automation and digital processes, as highlighted in the earlier section on **Technological Innovation**, further complements our efforts towards simplification without compromising the clarity of information available to our customers.

### RESPONSIBLE SALES CONDUCT

Our intermediaries must observe a minimum standard of conduct as set out in the Sales Policy and Sales Agent Code. Guided by the Sales Compliance Disciplinary Policy which defines instances of misconduct and recommended disciplinary action, an incident of misconduct by our agents is deliberated and meted out by the respective Ethics and Compliance Committees under our life and general subsidiaries.

As highlighted in the **Regulatory Changes** section, the implementation of the Balance Scorecard (“BSC”) for our life agents becomes effective in 2018. The BSC redefines

the calculation of an agent’s remuneration with the objective of professionalising sales conduct among intermediaries by emphasising ethical and needs-based selling. A penalty system is activated in the event of a complaint being lodged against an agent, which may result in monetary impact and disciplinary action.

This regulation complements our internal policies towards ethical conduct among our agents, which is an important dimension to our sustainability due to the intermediary-based nature of insurance. We ingrain the principles of customer-centric ethical selling among agents through tailored onboarding programmes, as well as ongoing learning and development opportunities.

### ATTESTATION AND AWARENESS TRAINING FOR EMPLOYEES

It is mandatory for our employees to annually attest that they understand and adhere to various guidelines and policies, which set the standards for business conduct covering the topics, inter alia, non-discrimination and harassment, dealing with confidential information, fraud detection, insider trading, external communication, conflicts of interest, anti-corruption and bribery, gifts and entertainment, and protection of our property and natural resources.

We continually reinforce these topics through compulsory awareness trainings as part of each employee’s annual e-Declaration and additional training for employees deemed as high risk due to the nature of their work. Additionally, company-wide campaigns are regularly conducted to improve employee awareness on potential risks.

Examples of awareness training and campaigns conducted throughout the year include:

- Anti-Fraud and Anti-Corruption Training for Tied Agents
- International Privacy Day on 28 January 2017
- Compliance Awareness Week 2017 held from 22 to 26 May 2017
- Minimum Standard for Antitrust Compliance Training for Senior Management and Heads of Departments on 4 October 2017
- International Fraud Awareness Week 2017 held from 12 to 18 November 2017
- International Anti-Corruption Day on 9 December 2017

**SUSTAINABILITY REPORT**  
**Responsible Business**  
**Ethics & Compliance: Ensuring Transparency & Accountability**

**Table 9: Policies, Guidelines and Codes of Ethics in Allianz**

Policy/Guideline/Code	Scope	Applicability
Allianz Group's Code of Conduct for Business Ethics and Compliance	Sets out the minimum standards of conduct for all Allianz employees worldwide.  It provides a framework for daily practice which emphasises personal responsibility in adhering to it and that each manager is obliged to ensure that employees fulfil this minimum standard of conduct.	All Employees
Allianz Code of Ethics for Senior Financial Professionals	Governs ethical and proper conduct of employees in both private and professional spheres, particularly in the handling of conflicts of interest and corporate disclosure.	Senior Management, Employees responsible for finance, control and accounting functions
Allianz Fit and Proper Policy and Procedures for Key Responsible Persons	Aimed at ensuring that key responsible persons have the integrity and competence required to perform their roles.	Directors, CEO, Key Personnel Employees
Allianz Whistleblowing Policies and Procedures	Describes Allianz Group's Speak-up policy and management of whistleblowing incidents.	All Employees
Allianz Group Anti-Fraud Policy	Defines fraud events and their follow-up actions.	All Employees
Allianz Group Anti-Corruption Policy	Outlines the existing controls and behavioural guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements, as well as facilitation of payments.	All Employees
Allianz Vendor Integrity Screening	Sets out the procedure to screen and ensure the integrity of our business and community partners to ensure strong and lasting working relationships with our partner organisations.	Vendors
Allianz Non-Profit & Non-Governmental Integrity Screening	This procedure assists in managing the selection of organisations that we wish to support and to monitor such relationships over time.	Non-profit and Non-Governmental Organisations
Allianz Anti-Money-Laundering and Counter Financing of Terrorism Policies and Procedures	Implements and enforces effective anti-money laundering/counter terrorism financing measures.	All Employees
Allianz Group Gifts and Entertainment Policy	Sets out the procedures and requirements of offering, giving, promising or authorising any Gifts/Entertainment to clients or business partners or to receive the same from them.	All Employees

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# Quality of Risk Management

## Protecting our Business by Mitigating Risks

As a provider of insurance services, Allianz considers risk management to be one of its core competencies. Embedding sustainability into our business decisions and practices equips us in weathering proverbial storms; a good example is the unsustainable investing in coal-based business models which face strong regulatory and reputational risks. The high rating for 'Quality of Risk Management' among our sustainability materiality matters reflects a strong correlation identified by our stakeholders between effective risk management and a successful sustainability journey. More on our ESG investment screening process can be found in the later section on **Integrating Sustainability**.

We recognise the importance in having a robust risk management system to identify key risks and implement appropriate controls to manage such risks. At Allianz, a Risk Management Framework Manual ("RMFM") is in place for all companies. The RMFM complies with relevant Bank Negara Malaysia ("BNM") policies and outlines the guiding principles of risk management structure, roles, responsibilities and reporting requirements.

Allianz adopts the three lines of defence risk management model. The first rests upon our business managers who are responsible for both risk and returns of their decisions. Our second line of defence is comprised of oversight functions comprising of Legal, Compliance and Risk Management, with the latter two reporting to the Risk Management Committee ("RMC"). Additionally, the actuarial function also constitutes the second line of defence in their role to assess and manage risks in line with regulatory requirements. Lastly, the third line of defence is assumed by our Internal Audit department who are responsible for assessing and monitoring the controls, procedures and highlighting significant risks impacting the company.

The RMC drives the overall risk management framework of Allianz. A Risk Management Working Committee ("RMWC") established at the management level serves as a communication platform between the RMC and management on matters relating to risk strategy and management. The RMWC reports quarterly, allowing the RMC to consolidate the status of risks for presentation to the Board. More information on our key internal control processes can be found in the **Statement on Risk Management and Internal Control** of our Annual Report.



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### DATA MANAGEMENT AND IT SECURITY

Exposure to cyber risks surge as businesses increase their digital presence and cyber attackers intensify the sophistication of their breach attempts. We have invested substantially in cyber risk mitigation; this includes Distributed Denial of Service ("DDoS") protection, an advanced malware prevention system and a multi-tier firewall system which protects our internet-facing touch points such as our corporate website and applications. With annual IT penetration tests and round-the-clock monitoring, we did not face any significant incidents or breaches in 2017 despite numerous attempts.

We comply with both the Personal Data Protection Act 2010 ("PDPA") and BNM's Guidelines on Data Management and Management Information System Framework through the implementation of our Data Management Framework ("DMF"). The DMF is a broad framework for the management, handling and retention of electronic and non-electronic data, allowing us to incorporate best practices in data management processes across the company. The framework sets out guidelines on the roles and responsibilities of our Data Governance Council which holds an advisory role to the Board, as well as our Data Stewards who are nominated by respective Heads of Department.

Effective May 2018, the European Union General Data Protection Regulation ("GDPR") will be enforced as elaborated in the **Regulatory Changes** section. Alongside other efforts in preparation for GDPR requirements, we are presently working towards a data encryption system for implementation in 2018.

### ALLIANZ STANDARD FOR PROTECTION & RESILIENCE

The Allianz Standard for Protection and Resilience, which becomes effective in January 2018, outlines the framework, principles and procedures on establishing, implementing and maintaining a holistic approach to Protection & Resilience within Allianz Group. The new integrated framework is based on unified oversight, integrated methodologies, reporting and dedicated expert functions for each Protection and Resilience domain, of which there are nine overall: Business Continuity Management ("BCM"), IT Service Continuity Management, Protective Security Management, Global Incident Management, Crises

Management, Outsourcing, Information Security, Privacy & Data Protection, and Information & Document Management. These domains are interconnected by nature to ensure a culture of organisational Protection & Resilience in preparation for sudden disruptions to Allianz business IT and non-IT operations, personnel and physical assets.

### ALLIANZ INTEGRATED RISK AND CONTROL SYSTEM

Allianz introduced an integrated risk and control system ("IRCS") to replace the risk control self-assessment process in 2017. Fundamental to the IRCS is the concept of an integrated approach. While there are several different sources of operational risks (i.e. reporting risks, compliance risks, IT risks), the process towards their management follows the same formula; significant operational risks must be identified, assessed and prioritised for improved management and it must be ensured that the controls underlying their management are effective. This is the basic premise behind establishing an integrated approach, which in turn provides the following benefits:

- The ability to compare all types of operational risks using a single methodology, which supports intelligent decision making for the allocation of limited resources towards Internal Control System ("ICS") improvements;
- The use of a single common language when discussing the ICS with both business process owners and management, which reduces confusion and thereby improves their understanding of operational risk management; and
- Encouragement of cross-functional collaboration between the second lines of defense, which allow these functions to report to management as a unified voice while still meeting their responsibilities to oversee the management of specific types of operational risks.



Employees participating in the IT Security ARENA event

### RISK AWARENESS AMONG EMPLOYEES

We also conduct risk management and response awareness among our employees through training sessions, briefings and interactive game sessions. Besides those highlighted in the **Ethics & Compliance** section of this report, the following has been conducted:

1. Our BCM team coordinates:
  - a) Annual Business Continuity Plan exercise and a biannual simulation of our Disaster Recovery Plan.
  - b) A Business Continuity Awareness Week was held from 14 to 25 August 2017 with several programmes aimed to create awareness among employees on business continuity management.
  - c) A BCM Awareness learning module was made available via our employee e-Learning portal with employees participating in a quiz to test their knowledge upon completion and subsequently, a desktop exercise was arranged for branch managers where they were required to respond to crisis-based scenarios.
  - d) A one-day Crisis Management Training session was conducted by Dr. Goh Moh, President of the BCM Institute, who shared his knowledge and expertise with Head Office employees which included the Incident Management team, BCM coordinators and selected branch BCM coordinators.
2. In July 2017, a Social Media and Reputational Risk Workshop was held for all communication ambassadors from our head office and branches to provide them with adequate knowledge on identifying and addressing potential reputational risks when using social media.
3. A company-wide IT Security ARENA event was then held in October 2017. The event was a compulsory educational session for all 1,100 head office employees. Employees were divided into random groups of fifteen to participate in a one hour interactive session to identify and manage cyber risks such as phishing, risky user behaviour on social media platforms, information classification and techniques to strengthen IT security.
4. An operational risk awareness program was conducted through our employee e-Learning portal in November 2017, with all employees being required to participate in a quiz to test their understanding and knowledge upon completion of the learning session. A risk management awareness program is also included in the on-boarding program for new employees.

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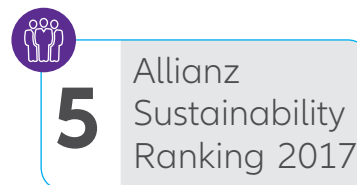
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# Talent Attraction and Retention

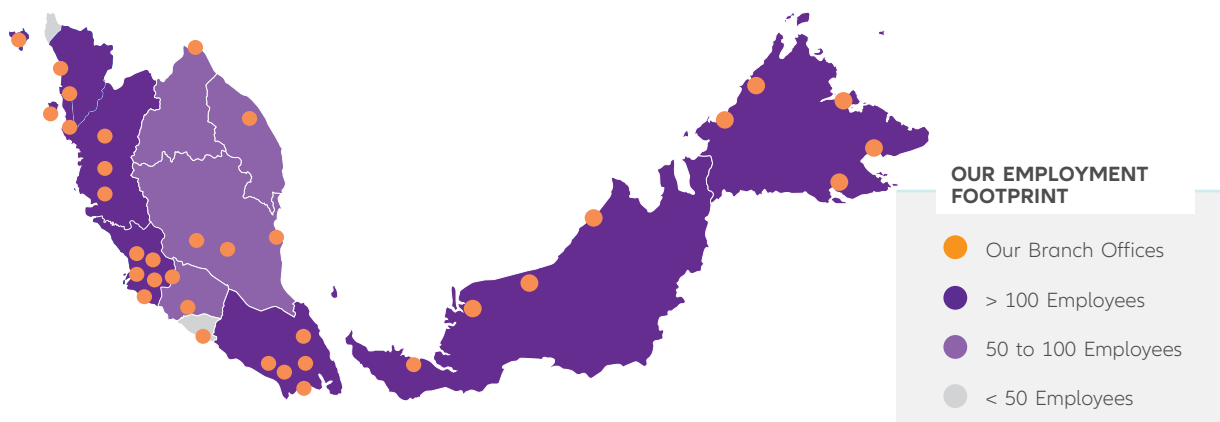
## Home to Those Who Dare



As automation and digitalisation becomes increasingly integrated into the operational functions of businesses, there is a worry that human capital will become expendable. At Allianz, we believe that we are only able to realise the full potential of such technological advancements with the support of a capable and highly-skilled workforce. In 2017, Allianz Group launched our new Employee Value Proposition, 'Allianz, Home for Those Who Dare'. This captures the essence of our working atmosphere, which encourages innovative thinking, excellence and inclusivity within an environment employees can trust and consider home.

Our employment footprint extends to over 37 offices, with job opportunities provided to over 1,900 employees across all states in the country, as depicted in **Diagram 6** below. Close collaboration between branch offices, our head office, as well as Allianz Group, is a key driver for talent attraction by providing growth opportunities and access to a wide pool of insurance professionals. Aside from full time employment, we offer part-time employment and internship opportunities for students and young graduates to gain professional experience. We believe the creation of skilled youths contributes in turn to the development of a highly skilled and employable national workforce. We had a total of 103 internships in 2017.

**Diagram 6: Our Employment Footprint**



This year introduced a restructuring of our Human Resources (“HR”) Division following the structure of Allianz Group’s One Global HR, which is comprised of the two pillars of HR Business Partners and HR Operations. This has enabled the consolidation of administrative support functions under our HR Operations pillar while building a pool of HR Business Partners (“HRBPs”) who can be regarded as internal advisors to the business.

Beginning January 2017, our HRBPs engaged partnering divisions and branches to improve the employee journey from hiring to on-boarding, priority setting, personal development, assessment and feedback, career management, and off-boarding. This required intensive up-skilling among the 10 appointed HRBPs, who had to shift away from their previous HR functional specialist roles and equip themselves with end-to-end HR and business knowledge. This was done via on-the-job learning sessions, regular HR learning sessions as well as discussion of ideas during fortnightly pulse meetings.

Each HRBP is designated to a few departments, which has proven beneficial to promote greater understanding of specific departmental functions, priorities and their corresponding needs. There has been good feedback on the new structure, particularly in increasing interdepartmental efficiency.



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**Employer of Choice**

**Talent Attraction and Retention: Home to Those Who Dare**

**LISTENING TO OUR EMPLOYEES**

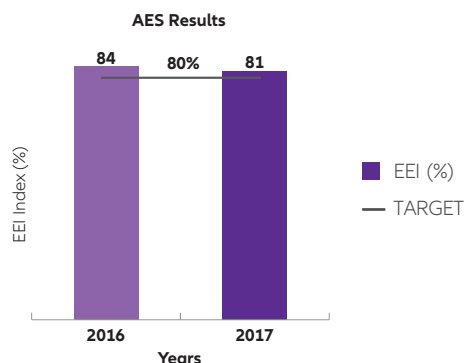
The Allianz Engagement Survey (“AES”) is conducted annually to gather employee feedback on jobs and processes, management and leadership, and the workplace environment. The importance of the AES is emphasised across the company, with results discussed amongst managers to develop appropriate action plans. The AES results are reflected in the performance evaluation of managers, ensuring that findings are met with appropriate remedies.

As such, we have retained a consistently high participation rate in the AES, with 96% of Allianz employees participating in comparison to 94% in 2016. The AES measures three areas, the first of which is the Employee Engagement Index (“EEI”) which reflects employee satisfaction, loyalty, advocacy and pride towards the company.

Allianz recorded a slight drop in the EEI dimension, from 84% in 2016 to 81% in 2017 as illustrated in **Diagram 7**. While within our target of maintaining an EEI above 80%, we are taking steps towards identifying and addressing areas of concern highlighted by employees via the AES.

Overall, the AES results for 2017 indicates that our employees feel recognised for their efforts, and are pleased by the environment of customer-centricity, collaboration and communication practiced in Allianz. However, we have identified areas of improvement to enhance the working experience of our employees, which include an emphasis on work-life and health management in response to employee feedback.

**Diagram 7: Employee Engagement Index**



The two remaining dimensions of the AES, Inclusive Meritocracy Index (“IMIX”) and Work Well index (“WWi”), are discussed in the **Fair Employment Practices** section.

**AWARDING CONTINUED SERVICE**

We value the long-lasting working relationships developed with many of our employees. In 2017, the average tenure of our employees was 8 years. We recognise the commitment and contribution of long-serving employees through our Loyalty and Silver Jubilee Awards, where employees receive a cash award upon reaching certain milestones, beginning from a consecutive period of ten years’ service and greater.

**147**  
**EMPLOYEES**  
**RECEIVED LOYALTY AWARDS IN 2017**

**ALLIANZ DEVELOPMENT CENTRE**

Guided by the Four People Attributes, we aim to develop the best people within our organisation. High-potential employees are assessed by our Allianz Development Centre to identify learning and development gaps. A Personal Development Plan is then generated to provide structured and focused development. The opportunity to pursue fast-tracked career development is made available to high potential employees that display committed performance.

**ALLIANZ YOUNG BOARD PROGRAMME**

Launched in 2016, the Allianz Young Board Programme aims to groom high potential employees to be next generation leaders. Aside from their daily on-the-job learning, 21 Young Boards were exposed to various company-wide projects as well as a tailored Leadership Development Programme (“LDP”). The LDP is comprised of five modules, which includes Peak Performance, Effective Communication and Interpersonal Skills, Managing People as well as Driving Innovation and Change. The final module, ‘Leadership Simulation Workshop’ held on 12 June 2017 was a hands-on experiential workshop where the participants applied what they had learnt throughout the LDP.

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### Campus Talks

We actively seek talented youths through direct engagement with university students. An example is our participation in University Tunku Abdul Rahman's Campus Talk on 19 July 2017 to promote Allianz as an employer of choice among future graduates.

The session provided 115 students with the opportunity to learn and explore career opportunities with Allianz. A representative from our HR Division, alongside our Head of Strategic Development spoke on leadership in the workplace.

Over the years, many UTAR students have completed their internship programme with us.



The winning team of the Allianz Escape 30 Challenge won RM3,000 in addition to the coveted Management Associate roles

### ALLIANZ ESCAPE 30 CHALLENGE

The Management Associate Programme targets young internal staff and external recruits, many of whom are just starting their careers. Associates undergo an 18-month development programme where they learn the fundamentals of insurance and are exposed to various functions within the company through job rotations, training and industry examinations. Thirteen participants graduated from the programme in 2017.

In 2017, recruitment for the Management Associate Programme was targeted in consideration of the company's strategy based upon innovative solutions and digitalisation. Three areas requiring specific talents were identified: Digital, Business Analytics and Life Sales. Sixty young graduates competed for coveted Associate positions through a tailored hackathon called the Allianz Escape 30 Challenge, held at Wisma Allianz in August. The event was a fusion of Internet of Things requiring participants to work in teams to plan, build, test and present electronic devices and a business proposal within 30 hours.

During that time, trial runs were continuously run, ending with a two hour Pitch-Out session for participants to present their completed innovations. Thirteen were selected based upon their time taken to complete the challenge, and for their individual leadership and creativity. Development Tracks for each Associate is tailored upon the three areas that they are respectively attached to.

### COMMITMENT TO LIFELONG LEARNING

We are committed to providing opportunities for our employees to enhance and develop their skills, particularly to ensure an agile workforce that is responsive to a rapidly changing environment. As we continue to deliver on our Renewal Agenda, the creation of learning solutions to train and up-skill our employees across all levels to prepare them for new and enlarged roles becomes a necessity. In 2017, we invested over RM3.5 million on our employees' learning and development.

### ASK ME ANYTHING SESSIONS

In order to better equip our employees with knowledge on the phased liberalisation of motor and fire tariffs as well as Life Insurance, employees from our head office were provided with an opportunity to ask questions to Allianz General's Head of Retail Business and Allianz Life's Deputy Chief Sales Officer during question and answer sessions held in June and August 2017. Both were a thirty minute educational and interactive session allowing participants to clarify and enhance their understanding of our business. A total of 63 employees participated in the sessions with more planned in 2018.

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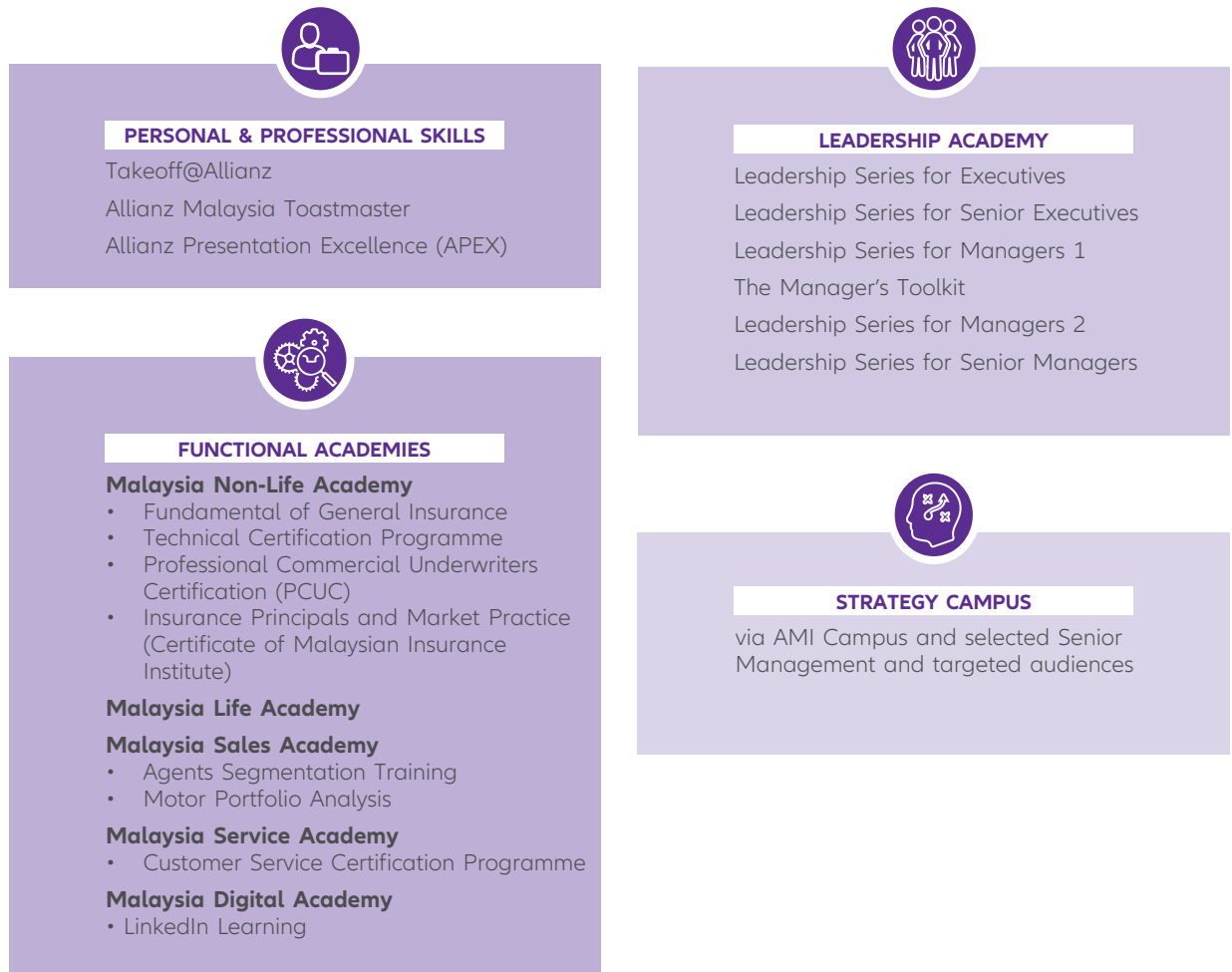
**Talent Attraction and Retention: Home to Those Who Dare**

**ALLIANZU MALAYSIA**

The Allianz Academy entered its sixth year in 2017, and was our primary learning and development platform for our employees. The Academy focused on four learning pillars: Technical, Sales, Service and Leadership which aimed to equip employees with the required skills and knowledge for their roles. Our employees participated in over 40 modules rolled out via this platform in 2017.

This platform will be re-launched in February 2018 as the Allianz Group corporate university known as AllianzU Malaysia, which is a vehicle to drive personal and professional growth of our employees. Its ultimate aim is to offer blended learning through traditional classroom and digital learning tools. AllianzU is divided into four parts: Strategy Campus, Leadership Academy, Functional Academies, Personal and Professional Skills. An overview of the AllianzU structure and offered programmes are illustrated in **Diagram 8**.

**Diagram 8: AllianzU Structure and Offered Programmes**



**FINTECH-INSURTECH EDUCATION**

To honour our commitment in ensuring that employees are prepared for the rapid industry changes introduced by technological disruption, we have introduced a FinTech-InsurTech education pillar within our learning and development platform. A mass online syllabus to educate our employees on the emerging FinTech-InsurTech industry will be rolled out in 2018. Employees who complete the module will receive certification in collaboration with Singapore Management University and the Centre for Finance Technology and Entrepreneurship. A hackathon and accelerator-style training will also be held for selected employees.

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### LinkedIn Learning

Digital learning enables our employees to learn anytime, anywhere and with any device.

We are introducing LinkedIn Learning which provides a wide range of quality and unlimited learning offerings for employees. Employees will have access to a range of more than 10,000 online courses and video learning content.

There are six predefined learning paths divided into Fundamentals and Advanced Methods, with the former including Digital Foundation, Collaboration & Co-creation and Creativity & Entrepreneurship; and Agile Methodologies, Design Thinking and Big Data & Analytics in the latter.

The kick-off will be rolled out to selected employees before wider implementation in 2018.

### PROFESSIONAL COMMERCIAL UNDERWRITERS CERTIFICATION PROGRAMME

This is the third year of our in-house Professional Commercial Underwriters Certification (“PCUC”) programme being recognised by the Malaysian Insurance Institute (“MII”), enabling PCUC graduates to fast-track their way towards a Diploma with MII (“DMII”). We are the only insurer in the country to have our own technical qualification programme and to have an MOU with MII.

In August 2017, 99 employees graduated from various levels of MII certification, 39 of which were PCUC programme candidates. Other awardees include 7 Associateship of MII, 3 employees achieving the DMII and 50 successfully completing the Certificate of MII.

Other forms of professional qualification are also encouraged amongst our employees via sponsorship of examination and professional membership fees, examination leave, in-house training programmes, and the availability of education loans. We are firm believers that training and certification ensures continuous improvement, which assists us in serving our customers better. In 2017, 930 of our employees attended at least one training session.



*Ninety-nine employees graduated from various levels of MII certification in 2017*



### Training-Over-Lunch by the Allianz General Claims Department

This year, our General Insurance Claims Department introduced an innovative approach to learning and development.

Sessions were held over lunch using a 20:30:10 concept, with 20 minutes being allocated to eating a provided lunch, 30 minutes spent training on a highly specific topic and ending with a 10 minute Q&A session.

Participants included members of both departments under the Claims division, Motor and Non-Motor as well as the Central Region Claims Hub with each session tailored to their respective portfolios and conducted by both internal and external trainers.

Though this approach incurs higher costs, it was highly successful as employees were able to absorb much more information over a shorter period of time.

90 employees participated in five Training-Over-Lunch modules in 2017, and we hope to increase the number of available modules in 2018.

# Fair Employment Practices

## Embracing Diversity in the Workforce



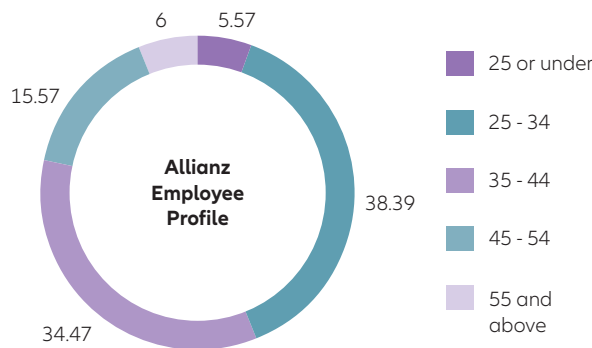
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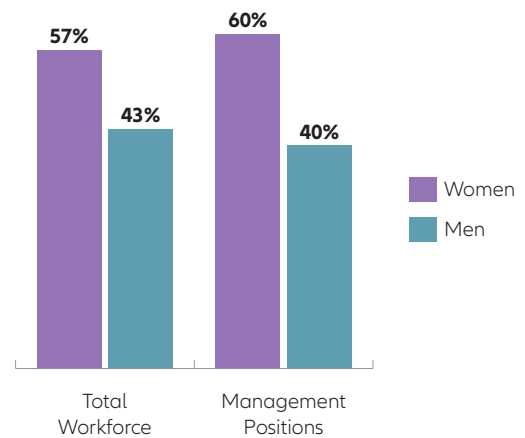
Our workforce is highly diverse, comprising of many talents, ages and skills which contributes to our sustainability strategy driven by innovation, technical excellence and inclusivity. By aligning our employment practices with the Allianz Group Renewal Agenda and the UN Sustainable Development Goals, we hope to continuously foster a working environment built upon mutual respect and trust.

**Diagram 10: Employee Profile**

**Age Structure of Employees by Age**



**Gender Distribution in Allianz**



### INCLUSIVE MERITOCRACY

In line with our core value of Inclusive Meritocracy, we have entrenched principles of non-discrimination throughout our hiring policies and employee development which are based upon individual talent, experience and behavioural attributes. We are committed to providing a positive workplace environment built upon diversity and inclusion, which in turn strengthens and broadens our understanding of our customers and the development of our offerings.

With a multi-generational workforce, we are dynamic in our approach to ensure cross-generational engagement and understanding. Despite challenges, we harness upon the different values, expectations and viewpoints provided from such diversity as we continue to grow together in a rapidly changing industry environment.

We measure the progress of our organisation towards Inclusive Meritocracy, which encompasses leadership, performance and corporate culture through the Inclusive Meritocracy Index dimension of our annual AES. In 2017, we retained our target of 82% from the previous year.

Allianz received the **Supportive Employer Award** from the **Malaysian Association for the Blind** on 6 May 2017 for our hiring of four visually impaired individuals in the Customer Service department

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### PERFORMANCE MANAGEMENT FRAMEWORK

This was the second year of our Performance Management Framework, which embeds the Allianz Renewal Agenda into the functioning of each employee by aligning individual targets to its Five Core Agenda and Four People's Attributes of Customer & Market Excellence, Trust, Entrepreneurship and Collaborative Leadership. This emphasis encompasses our recruitment process, target-setting, evaluations, discussions and employee development.

A new multi-rater feedback system has been phased in to allow for a more holistic assessment. Within this system, performance evaluation will be based on feedback given not just by managers, but also through direct reports and feedback of relevant colleagues from other departments.

### TRANSPARENT AND OPEN COMMUNICATIONS

In 2017, our Townhalls were conducted thrice, providing an opportunity for employees to be updated on Allianz performance, plans and strategies. This year, a live question and answer platform was introduced for employees to submit questions anonymously for immediate address by senior management.

In 2017, the HR Division initiated "Coffee Sessions" hosted by members of senior management to encourage the "dare to" mind set and to provide an alternative feedback channel for employees. Several sessions were held throughout the year, beginning with a session hosted by our Head of Human Resources Division, with discussions centred upon building a 'Home' environment in Allianz. The final session of the year was hosted by our Chief Operating Officer in December 2017. We believe it is important to provide such opportunities for employees of all levels to come together cross-functionally. Despite a lower turnout than targeted, we will continue the initiative to increase participation over time.

In line with the company's drive to make Allianz the Home for Those Who Dare, another informal conversational platform called "Let's Sembang" was also introduced for head office employees. The first, held in May 2017, was a session for participants to discuss ideas that could realise a work environment which employees can consider home. Another session held in December 2017, discussed the topic of Working Mothers and Breastfeeding, which allowed expecting and breastfeeding mothers to share their struggles, challenges and solutions for working mothers.



### Embracing Diversity

We embrace social inclusion in many ways, with one being the hiring and integration of Persons with Disabilities ("PWDs") in the Allianz workforce since 2015. We currently have 21 PWD employees in our head office across various departments and functions.

There has been a drop in the number of PWD employees. This is due in part to the personal circumstances of PWD employees as well as the lack of suitable roles for the available skills and capabilities. We are developing internal mechanisms to address these challenges and hope to improve our hiring outreach among PWDs in the following years.



During our final Townhall for 2017, two visually impaired colleagues, Mohd Shahir and Amira Fatinah, from our Customer Service Department took the stage to demonstrate how they use their mobile devices to take pictures and send messages.

We believe providing such platforms for PWD employees develops a workforce that is empathetic and responsive to the unique experiences and needs of society.

**EMPLOYEE HEALTH, SAFETY & WELL-BEING**

We believe that our employees are the key to our success; as such we place great priority in ensuring the well-being of our employees through a positive working environment and Work-Life and Health Management initiatives that enhance their quality of life. We aim to address the different needs of our employees and currently apply staggered working hours. This allows our employees, many of whom are working parents, to manage their personal responsibilities without worry. We also provide flexible work arrangements on a case by case basis, which includes sabbatical leave for caring of a sick family member. The Underwriting Department has a work from home policy in place and all departments are encouraged to explore how they might be able to adopt the same policy. We continually review and assess the requirements of our employees as we develop a working environment that reflects the societal changes which shape the economy of the future.

We believe these factors alongside the availability of Work-Life and Health Management initiatives elaborated below have contributed to the slight increase in our Work Well index from 73% in the previous year to 74% in 2017.

**ORGANISATIONAL SAFETY AND HEALTH ACT COMMITTEE**

The Organisational Safety and Health Act (“OSHA”) Committee oversees the safety and well-being of all our employees in our head office and branches. The OSHA committee organises annual Fire Safety and Emergency trainings for our fire wardens at our locations nationwide. This ensures that assigned wardens are well equipped with the required skills in the face of an emergency. As highlighted earlier in the section on **Quality of Risk Management**, disaster simulations are conducted biannually to ensure that employees are familiar with disaster recovery procedures.

**WORK-LIFE AND HEALTH MANAGEMENT INITIATIVES**

Work-life and Health Management initiatives are regularly conducted to ensure the availability of convenient recreational activities for our employees. These activities include Zumba, kickboxing and badminton classes, running clinics, and bowling activities. In addition to after-work activities, “How-To” sessions were introduced, allowing employees the opportunity to learn various skills. The first session, held in February 2017, taught participants to make do-it-yourself body scrubs.

In conjunction with the launch of two new products, Allianz 3H Cover and Allianz Diabetic Essential, another “How-To” session was held for our employees in October 2017, where participants learnt how to make healthy fruit juices. Health-focused activities were organised for employees throughout the month of October, beginning with the Allianz Health Carnival, where employees had the chance to check their Body Mass Index, glucose level and blood pressure. This was followed by a Fruit Market where employees could select any two fruits from the selection provided, as well as a “de-stress” room which offered a space for employees to take a break from their daily tasks with the availability of exercise bikes, hoola hoops, Pictionary and adult colouring therapy.

Our employees also enjoy access to global events, such as the World Run which was organised by Allianz Group in 2017. The #DareTo Challenge was held to kick-off the Allianz World Run 2017 on 3 May 2017 with a conga line that began from the 29th floor of our Head Office ending on the 10th floor. Gifts were rewarded to participants who succeeded in the various challenges. That evening, 100 participants joined the Allianz Blue Day Run held in Lake Gardens, Kuala Lumpur.

The Allianz World Run is a running programme in which the participants use a mobile application to track the distance that they have ran within a three-month duration. Allianz entities worldwide locally identified ten runners that ran the longest distance within the three-month duration. The top ten runners then participated in a lucky draw for selection to attend the Allianz World Run Camp, where they enjoyed the opportunity to meet with Allianz employees who are fellow sports enthusiasts. Three Allianz Malaysia employees were sent to Cannes, France for the Allianz World Run 2017.

In July 2017, fifty of our employees participated in a selection process, based upon a minimum qualification determined by Allianz Group, for the opportunity to compete in the upcoming Allianz Sports 2018 which will be held in Munich, Germany. Eight employees were selected and will be competing against representatives from other Allianz OEs around the world in Golf, Chess, Badminton and Track & Field in July 2018.

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**Celebrating International Women’s Day**

Allianz celebrated International Women’s Day throughout the month of March 2017 beginning with the display of inspirational quotes by female leaders in Allianz.

A Netball Tournament was then held at YMCA Kuala Lumpur, with 70 female employees from our head office and Klang Valley branches participating.

This was followed by an in-house “How-To” session and movie screening.

we are able to provide opportunities for the personal growth of our employees through regular volunteering activities. These are detailed further in the **Community Development** section of this report. We are committed to inculcating a sense of collective responsibility among our workforce, with our employees and agents dedicating approximately 1,470 hours to volunteering activities nationwide in 2017.

On 13 May 2017, over 3,000 of our Life Agents from 110 agencies nationwide joined forces for the 4th annual Allianz Charity Day. As part of the event, our agency force spent a day participating in various charitable activities including conducting blood donation drives, refurbishing selected orphanages, visits to hospitals and old folks’ homes as well as donating necessities such as non-perishable food and toiletries. On the day, Allianz Life’s Chief Executive Officer, Joseph Gross spent time visiting the United Learning Centre – Hati, a volunteer-driven centre providing education to children of Myanmar refugees.

**CONTRIBUTING TO SOCIETY THROUGH WORK**

Our corporate responsibility initiatives are an essential element to our sustainability strategy, aside from allowing us to create meaningful impact for underserved communities;

CEO of Allianz Life Malaysia, Joseph Gross, alongside life agents at United Learning Centre refugee centre



# Integrating Sustainability

## Embedding Sustainability into our Business



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### RESPONSIBLE INVESTMENT

At Allianz, the systematic integration of sustainability into our business considerations ensures that we are able to reduce risks and capture opportunities in our underwriting and investment management. A holistic assessment of risks, by scrutinising investment and insurance risks from an environmental, social and governance (“ESG”) perspective, is especially relevant to Allianz as a manager and carrier of risks that range from short-term events to multiple decades.

The integration of ESG considerations is carried out through group wide guidelines and processes, foremost being the Allianz Standard for Reputational Risks and Issues Management (“ASRRIM”). The ASRRIM identifies thirteen sensitive business areas which may present reputational and ESG risks to the group. Any transaction which falls within these areas requires mandatory ESG screening.

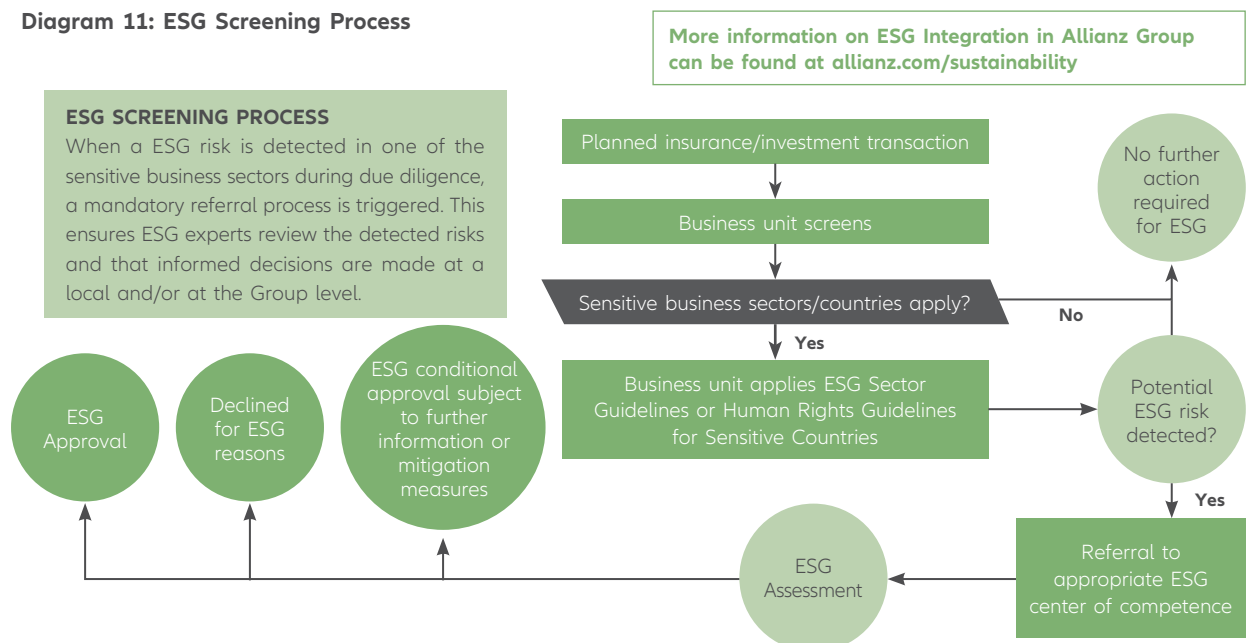
ESG screening is an integral element of our underwriting and investment standards for direct financing and risk management framework. The ASRRIM gives due consideration to potentially unmitigated ESG impacts and reputational implications in our business processes. The ESG Screening Process is depicted in **Diagram 11** below. Transactions are determined on a case-by-case basis to

ensure a detailed assessment of any potential risk and appropriate mitigations. This further allows for comprehensive and targeted management of ESG risks and opportunities.

Our ESG rating reports are generated by an external data provider, MSCI ESG Research. However, in the instance of a significant ESG risk, evaluation will be escalated to Allianz Group’s global ESG Working Group to determine acceptability. In 2017, three transactions were escalated to the global ESG Working Group for further ESG assessment with one being declined.

This is the second year of Allianz Group divesting from coal-based business models; this encompasses companies that derive more than 30% of revenue from coal mining or generate over 30% of their energy from coal. We continue our support for this initiative by restricting our investments in this sector. We have begun pursuing investments in renewable energy; nevertheless our investment opportunities in this sector are inhibited by the relatively nascent development of the renewable energy industry within Malaysia and the region. We anticipate further growth of the renewable energy sector and the deepening of our investments in this sector in the future.

**Diagram 11: ESG Screening Process**







### ACCESSIBLE SOLUTIONS

The inaccessibility of insurance remains a hindrance to the many that perceive insurance as a service only available to urban-dwelling or high income individuals and families. We recognise that the physical distance between certain segments of society and a servicing agent can pose an additional barrier to protection.

As such, we leverage upon the nationwide presence of the national postal service through a distribution partnership with Pos Malaysia in 2005. A number of Allianz policies are available at Pos Malaysia locations nationwide, including comprehensive or third party private car and motorcycle insurance, Personal Accident, as well as roadside assistance products such as Road Warrior, Enhanced Road Warrior and Motorcyclist PA. We find this to be an effective distribution channel, having sold over four million policies between January 2010 and December 2017, with the highest number of policies being sold in the Central Region followed by the Perak state. In 2017, a total of 312,306 Allianz policies were distributed at Pos Malaysia outlets nationwide.

### SUSTAINABLE SOLUTIONS

We believe that sustainability requires a meaningful convergence between our business interests and EES considerations. Our role as an insurer enables us to equalise opportunities for our customers and society, with accessible and needs-based insurance solutions being an important equalising mechanism. As previously highlighted in the **Business Innovation** section of this report, our newly launched Allianz 3H Cover and Allianz Diabetic Essential products extend our protection to those facing chronic conditions.

In addition to such offerings, we define sustainable solutions as products and services that address an underserved community through their accessibility and affordability. Under Allianz Group's Sustainable Solutions programme, products and services from operating entities undergo a strict assessment process. This includes scoring against six environmental and social dimensions before being approved and categorised as Sustainable Solutions by the Group. The data provided through this process is subject to external assurance. Allianz currently has four products categorised as Sustainable Solutions, listed in **Table 10**, with two offerings being approved as Sustainable Solutions by Allianz Group in 2017.

**Table 10: Sustainable Solutions developed and offered by Allianz**

ALLIANZ'S SUSTAINABLE SOLUTIONS	
<p><b>Motorcycle + PA</b></p> <ul style="list-style-type: none"> <li>• Motorcycle coverage for third-party liability and (optional) loss and damage to due to accident</li> <li>• Personal Accident as semi-bundled extra offer</li> </ul>	<p><b>Allianz Ability Life</b></p> <ul style="list-style-type: none"> <li>• Launched in 2016</li> <li>• A life insurance plan with guaranteed yearly renewal</li> <li>• Designed exclusively for PWDs</li> <li>• Affordable premium rates from RM50 to RM70</li> </ul>
<p><b>Allianz Kampungku</b></p> <ul style="list-style-type: none"> <li>• Launched in 2013</li> <li>• Covers Class 3 property or household content against fire, flood, and windstorm risks with an affordable premium for mostly rural communities</li> <li>• Emergency Relief Benefit is available to policyholders immediately following a loss</li> <li>• Paid RM500,000 in claims to policyholders in 2017</li> </ul>	<p><b>Allianz Kasih Hayat</b></p> <ul style="list-style-type: none"> <li>• Launched in November 2017</li> <li>• Catered towards consumers with a monthly household income below RM4,000 (B40 income bracket)</li> <li>• Provides life assurance up to 70 years old</li> <li>• Customers within this income bracket are able to choose between two affordable plans with guaranteed renewability</li> <li>• In support of Bank Negara Malaysia's 'Perlindungan Tenang' initiative to offer affordable and simplified life insurance to underserved segments of society</li> </ul>

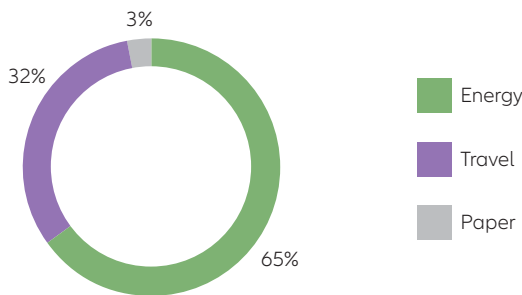
## STEWARDSHIP FOR THE FUTURE

Allianz Group adopts a Climate Change Strategy that commits operating entities to minimising our own carbon footprint and supporting the development of a low-carbon economy. Allianz has been a carbon-neutral company since 2012.

### MANAGING OUR ENVIRONMENTAL FOOTPRINT

A group-wide Environmental Management System (“EMS”) has been in place since 2006. The EMS tracks our CO<sub>2</sub> emissions and figures which are reported annually to Allianz Group, enabling us to monitor our emissions, identify areas for improvement and support Allianz Group’s calculations to offset our carbon emissions ensuring that Allianz Group remains a carbon-neutral company.

Diagram 12: Allocation of CO<sub>2</sub> emissions in 2017



The current scope of the EMS includes energy used to operate buildings and IT equipment; business travel by air, car and train; and paper usage. The allocation of our emissions in 2017 is illustrated in **Diagram 12**. Energy-saving fittings are prioritised in all branch office renovations.



### Energy Auditing

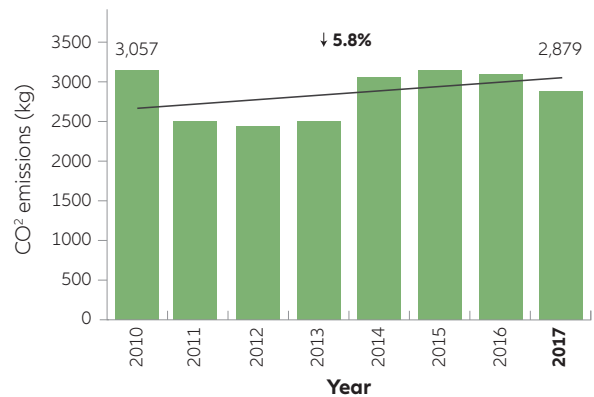
A talk was conducted by a guest speaker from the Centre for Environment, Technology and Development Malaysia to teach 35 employees at our head office on conducting an energy audit to reduce electricity consumption at home.

The session also addressed the topic of a Renewable Energy Tariff in Malaysia (Net Energy Metering), effects of pollution and examples of energy efficiency practices which can be adopted at home.

The implementation of an energy audit to reduce energy consumption at our head office is expected in 2018.

Allianz Group has set a group-wide target of a 34% reduction in our CO<sub>2</sub> emissions by 2020 against a 2010 benchmark. This year, we recorded a 5.8% reduction in CO<sub>2</sub> emissions (kg) per employee from 2010. This is illustrated in **Diagram 13** below. We hope that our initiatives in digitalisation, as discussed in the **Technological Innovation** and **Business Innovation** sections, will contribute towards this continued trend of CO<sub>2</sub> emissions reduction.

Diagram 13: CO<sub>2</sub> emissions (kg) per employee 2010-2017



### SUSTAINABLE MOBILITY

With the emergence of market disruptors such as car-sharing services and electrical vehicles, it is important as a leading motor insurer to stay abreast of such industry developments. We seize upon opportunities to innovate our offerings and practices to ensure that we cater towards such market changes.

We currently maintain three electric vehicles (“EVs”) as part of our Company Vehicle Fleet which is available to all our employees within the Klang Valley area. The availability of the EVs enables cost and energy efficient travel, while acquainting our employees and business partners with transportation of the future. Each EV is capable of travelling a distance of 150km to 180km on a single charge. This distance will increase as the number of public charging stations increase nationwide.

A report from our leasing company, Cohesive Mobility Solution (“COMOS”), indicates an increase in the EV usage since 2016, having travelled a total of 13,511km in 2017 in comparison to the 8,414.2km travelled in the year prior. This has resulted in a total cost saving of RM3,350 and avoidance of 3,135kg CO<sub>2</sub> in 2017. This is equivalent to growing 81 trees in the span of ten years.

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Following a stipulation within our internal travel policy which places emphasis on the carbon efficiency of transportation options, employees are expected to reduce travel where possible by utilising alternative platforms such as audio, web or video-conferencing. The resulting increase in our audio conferencing requests and the corresponding reduction in business travel between 2015 and 2017 are indicated in **Diagram 14**.

**Diagram 14: Audio Conferencing Requests and Business Travel**

In 2017, we recorded an increase of 64% in our audio conferencing requests while the accumulated distance required for business travel reduced by 5%.

Year	Audio conferencing usage (number of requests)	Business Travel by Air (km)
2015	186	1,027,953
2016	256	947,345
<b>2017</b>	<b>721</b>	<b>903,046</b>

Since 2016, the UNiRIDE car sharing programme provides university students access to 20 Energy Efficient Vehicles and 18 e-scooter units on selected university campuses in Malaysia. Allianz provides insurance coverage for the vehicles within this fleet through an MOU with COMOS and partners. The aim of UNiRIDE is to provide environmentally-friendly and affordable travel options to university students. We look forward to continuing our support as UNiRIDE expands its presence on other campuses in coming years.

**SUSTAINABLE PAPER CONSUMPTION**

We have taken steps to reduce our paper consumption in our head office and branches, which is greatly bolstered by increasing digitalisation of our processes. We make stringent efforts to reduce the total overall amount of paper used on a daily basis, with the management and paper usage of branch offices being centrally monitored. In 2017, a decrease in overall paper usage by 20.6% was recorded. Moving forward in 2018, we will be implementing an e-procurement platform to replace our current paper-heavy sourcing and procurement procedures. Such efforts ensure that we are able to meet our paper usage reduction target of 40% by 2020 against a 2014 benchmark.

With the availability of electronic tools, mobile applications, online offerings and a marked increase in automated processes, we are able to replace a significant amount of physical documents with electronic forms. The e-Policy mechanism and our Imagine App sales tool continues to generate an overall reduction in the printing of three specific forms related to customer fact-finding, policy application and change requests. This year, there was a slight increase in the number of printed forms as indicated in **Table 11**. This is due to a reprinting of forms to incorporate additional questions in accordance with the Common Reporting Standards set by the Organisation for Economic Co-operation and Development.

**Table 11: Number Of Printed Forms Since 2014**

Year	2014	2015	2016	2017
<b>Number of Printed forms (sheets)</b>	213,461	530,452	182,952	<b>224,480</b>

**SUSTAINABLE WASTE MANAGEMENT**

We maintain paper recycling bins in our head office and a number of selected branches, which began implementation in 2012. This year, we recorded a total of 43,417kg of recycled paper across our locations nationwide. Since 2015, an e-waste bin to ensure the safe and sustainable disposal of electronic-related material has been provided for our head office employees.



**Turning Trash to Treasure**

In 2017, we began a partnership with Kloth Malaysia to place a collection bin in our head office for unwanted and old clothes, handbags, linens and soft toys. The bins are managed by Kloth Malaysia, who screens through items to ensure that nothing goes to waste.

Items collected are managed as follows:

- Useable clothes are sold in garment shops and other developing nations (such as Africa, India, Myanmar, etc.);
- Worn out/damaged clothes will be turned into industrial cleaning rags; and
- Textiles and scraps will be used as fuel for cement kilns

We have observed positive response among our head office employees, and have collected a total of 147 kg of items since implementation in November 2017.

# Community Development

## Building a Socially Inclusive World



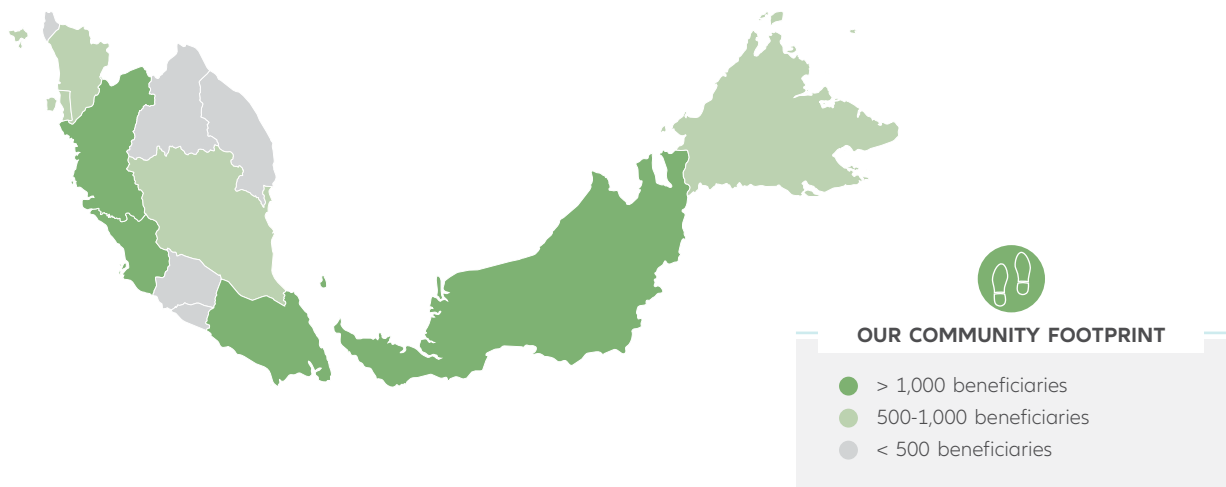
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As an insurer, the equalising of risks and opportunities underlines our business. Aside from integrating EES considerations into our business strategy and practices, we work alongside community partners involved in a plethora of impact-building initiatives to ensure meaningful engagement with our target beneficiaries. Our community development efforts are spearheaded by Allianz4Good, as the corporate responsibility department of our company. Our initiatives encompass monetary and non-monetary support, which includes employee volunteering sessions held throughout the year. Non-Profit and Non-Governmental Organisations engaged as our community partners undergo a stringent Integrity Check to ensure ethical and reliable partnerships.

### Diagram 15: Our Community Footprint – Direct Beneficiaries\*

*\*defined as beneficiaries with direct exposure to Allianz programmes involving Allianz employees and volunteers*



## ENCOURAGING FUTURE GENERATIONS

At Allianz, we believe that sustainability must be built upon a strong foundation of social inclusion and an empowerment of future generations. Despite the advancements introduced in the last decades through technological development, there are many segments of society that remain displaced from their fair share of socioeconomic security and education. As the world becomes increasingly interconnected through globalisation, we are able to witness first-hand the devastating effects that such displacement can have on entire communities with particular impact on their children and youths.

As such, Allianz Group has launched the global 'Encouraging Future Generations' programme which endeavours to support the social inclusion of children and youths globally. This support is disseminated through the provision of various development programmes and funding opportunities for purpose-driven organisations or enterprises.

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### ALLIANZ SOCIAL INNOVATION FUND

The Allianz SE Social Innovation Fund 2017 saw over thirty entrants from Allianz Group entities worldwide competing to secure €50,000 for their chosen social development project in collaboration with a social organisation partner. The fund is a catalyst for change as part of Allianz Group's global 'Encouraging Future Generations' programme. Allianz Malaysia was one of five winners of the Social Innovation Fund 2017, receiving a €50,000 grant to support the education of Malaysian underprivileged and indigenous youth.

The grant will fund the 18-month SOLS Academy of Innovation programme ("Academy") which is a collaboration with Science of Life Studies 24/7 ("SOLS 24/7"), a humanitarian organisation which educates and empowers underserved communities through education and social empowerment programmes. As part of the programme, students will attend full-day classes at the Academy and learn subjects including English, Mathematics, Information Technology, Coding, Solar Energy, Project Management as well as Personal Development.

SOLS 24/7 has successfully recruited 90 students from various areas, particularly rural villages in Gua Musang, Gerik, Negeri Sembilan and Kelantan. The inaugural intake of the SOLS Academy was successful in engaging Orang Asli youth in particular, with more than 95% of students from an indigenous background graduating from the programme. The Academy prepares graduates for jobs in the growing solar sector, office administration, and also aims to empower youth to become "community educators" that can inspire and lead younger generations in their home communities.

After twelve months of classes, the students in the Academy will take on a 6-month internship. Through this partnership with Allianz, the students will be able to gain potential internship opportunities within the company. Throughout the duration of the programme, Allianz will also engage employee volunteers to develop the students' life skills and support their holistic development.

"Before, I never spoke English and after finishing Year 6, I did not go on to secondary school. To be honest, I didn't think education was important. Since joining Sols Academy of Innovation ("SOLS .ai"), I have taken classes in English, Math, Solar Energy, IT skills and Motivation. The structured classes and exams help me better understand areas that are unclear to me. I really value education as it gives me better opportunities. I have experienced a lot more exposure to the world here at SOLs .ai – I joined a volunteering programme with Taylor's University to help at an Old Folk's Home and I really look forward to more volunteering experiences in the future.

I recently visited my village, and everyone was so impressed to see me speaking confidently and in English. They remembered me as someone who used to hang around the village. Now, they are really proud of me."



Mira Binti Jais, is a 19 year old Orang Asli Temiar from Grik, Perak who is currently studying at SOLS .ai

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ALLIANZ AND IMPACT HUB INVESTMENT READY PROGRAMME

Allianz Group embarked on a partnership with Impact Hub to support purpose-driven social entrepreneurs working towards the empowerment and inclusion of children and youths in Brazil, Germany, Malaysia and Turkey. Two Malaysian ventures were successful in securing a place in the Investment Ready Program. This unique acceleration programme includes a six-month training programme where ventures will engage in a systematic review of their business model, strategy and team before crafting a validated growth and investment plan.

Each local Allianz entity has highlighted topics with particular local relevance. The two Malaysian finalists will champion causes such as diversity, education, health, environment, safety and protection. Both ventures will receive targeted mentoring and support from experts within the Allianz Group. Following this, finalists will pitch their ventures before a judging panel in Munich in June 2018 for the chance to secure a grant of €40,000 from Allianz.

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Allianz's Head of Corporate Communications shares her experiences and expertise with budding social enterprises during the Allianz and Impact Hub Investment Ready Programme warm-up event

Beginning March 2018, it is mandatory for all events and meetings held at our head office to be catered by social enterprises.

This is a restatement of our commitment to integrate social awareness into the fabric of our company and a reiteration of our support for organisations that leverage upon innovative solutions to build a socially inclusive world.



## THE FIVE PILLARS OF ALLIANZ4GOOD

In tandem with our community development programmes highlighted above, we have identified five key areas where we are most able to leverage upon our knowledge and expertise as managers of risk to create and support meaningful impact. These key areas shape our ongoing community development efforts and engagements.








We are grateful to have received recognition through The Edge Best CR Initiatives (below RM10 billion cap) awarded to us in 2017



Students of SK Sokor, located in Tanah Merah, Kelantan, with the Allianz4Good team during a Hari Raya gift-giving initiative in 2017

The objectives of each pillar are presented in **Diagram 16**, while the targets and indicators of each pillar moving forward in 2018 are set out in their respective sections that follow:

**Diagram 16: Five Pillars - Allianz Corporate Responsibility Objectives**

PILLAR OBJECTIVES				
				
<b>Safety</b>	<b>Financial Literacy</b>	<b>Disaster Risk Reduction</b>	<b>Environmental</b>	<b>Community</b>
To reduce risks through awareness-raising and advocacy	To increase the financial literacy levels of children and young people	To build the resilience of vulnerable communities in disaster-prone areas	To embed environmental considerations into the company and promote environmental stewardship in the community	To serve underserved/marginalised communities



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**PILLAR 1: SAFETY**

Three-year Targets	Indicators
<b>2018 to 2020</b>	
<ol style="list-style-type: none"> <li>To increase road safety outreach in more areas</li> <li>To develop effective road safety awareness among children</li> <li>To encourage awareness on risks of mobile distraction</li> </ol>	<ol style="list-style-type: none"> <li>Number of Road Safety Advocacy Campaigns rolled out</li> <li>Number of Road Safety Education Programmes conducted</li> <li>To collaborate with road safety agencies to conduct behavioural studies</li> <li>Development of an effective impact analysis mechanism</li> </ol>

**ROAD SAFETY ADVOCACY CAMPAIGNS**

We remain a strong advocate for road safety, having signed a Memorandum of Understanding with the road safety department – Jabatan Keselamatan Jalan Raya (“JKJR”) in 2011 which marked the beginning of our partnership for this cause. Allianz has carried out 155 Road Safety Advocacy Campaigns and programmes nationwide with more than 440 employees being trained by JKJR as Road Safety Ambassadors.

In 2017, a total of 12 Road Safety Advocacy Campaigns reaching 15,089 members of public were held nationwide with JKJR during festive seasons and school holidays, periods of high traffic and distant travel for many road users. These campaigns involve participation of our Road Safety Ambassadors whom advocate safe road behaviours to the general public and assist in distributing road safety items such as reflective windbreakers and motorcycle stickers, seatbelt shoulder pads as well as child booster seats in accident-prone areas. A total of 7,510 of these items were distributed during such campaigns nationwide.

Motorcyclists are able to exchange old helmets for SIRIM-approved ones during our Road Safety Advocacy Campaigns. This year, we began distribution of our improved motorcycle helmet which provides better protection for users due to the addition of a full face windshield visor.



Allianz employee volunteers ensure that the newly distributed helmet is safely secured

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**ROAD SAFETY EDUCATION PROGRAMME**

We believe inculcating good road behaviour must begin from a young age and therefore target our education efforts towards primary children. A total of 979 primary students were reached through our Road Safety Education Programme in 2017.



Allianz employee volunteers conducting a Road Safety Education Programme in Children's House in Bukit Damansara

held from 3 to 6 April, 2017. The meeting was organised by the Global Alliance of NGOs for Road Safety, the Ministry of Transportation and hosted by the World Health Organisation.

Allianz sponsored a pre-meeting session on road safety education material for children where participants discussed the best practices from around the world. Supporting such platforms enables us to improve our road safety initiatives while promoting concerted efforts to address road safety.

**MOBILE DISTRACTION PLEDGE**

Aside from our external road safety initiatives, we initiated an internal Mobile Distraction campaign among our employees during our first Townhall of 2017. This campaign aims to reduce the usage of mobile phones whilst driving and walking as it poses a major risk to the safety of those distracted and others around them. During the event, 900 employees pledged to reduce their mobile usage whilst driving and walking. Moving forward in 2018, we are working together with our frequent community partner, the Malaysian Institute of Road Safety Research on external mobile distraction initiatives.



**Road Safety Education Programme**

Our Road Safety Education Programme incorporates an in-class road safety session and an interactive circuit.

The in-class sessions are one hour sessions which strengthen their individual comprehension of road rules and behaviour. Reflective wristband and a road safety tip booklet are distributed during the sessions.

The latter involves a hands-on circuit which mimics real-life road scenario through a miniature zebra crossing and traffic lights. Along the circuit, students participate in small groups as they go through several stations - a road sign station, seatbelt station and helmet station - which are designed to emphasise their understanding and usage in those areas.

In an effort to improve the reach of our Road Safety Education Programme, we are in the midst of developing a comprehensive Road Safety Education Module for use by educators and parents.



CEO of Allianz Life, Joseph Gross (left), makes a pledge alongside employees to avoid mobile distraction

**5TH GLOBAL MEETING OF NON-GOVERNMENTAL ORGANISATIONS ADVOCATING FOR ROAD SAFETY AND ROAD VICTIMS**

Attended by over 200 road safety NGOs and advocates from 70 countries worldwide, the '5th Global Meeting of NGOs Advocating for Road Safety & Road Victims' was

**4TH WOMEN'S STREET CRIME AWARENESS CAMPAIGN**

We have supported the Women's Street Crime Awareness Campaign organised by the Road Safety Marshal Club since 2013. This annually held campaign aims to increase awareness on street crime prevention through interactive workshops and exhibitions. The 4th edition of this campaign held in The Summit, Subang included several practical workshops that taught participants how to safely use pepper sprays, how to defend and escape if attacked among others.

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**PILLAR 2: FINANCIAL LITERACY**

Three-year Targets	Indicators
2018 to 2020	
1. To increase the outreach of our financial literacy initiatives	1. How many teachers trained 2. How many schools reached 3. Feedback analysis on beneficiaries

As we move towards becoming a high-income nation, we believe it is of utmost importance that we do our part in ensuring a financially literate society. In 2017, our financial literacy initiatives involved a continuation of the My Finance Coach sessions and our annual Allianz Finance Challenge.

**MY FINANCE COACH**

This was the sixth year of the My Finance Coach (“MFC”) programme and the fifth year of our partnership with the Federation of Malaysian Consumer Association (“FOMCA”). The MFC programme in Malaysia is based on materials and content provided by the Germany-based My Finance Coach Foundation.

Allianz employee volunteers that are trained as Finance Coaches conduct sessions in schools and non-profit organisations to equip youths with the knowledge required for basic money management. The MFC programme is divided into two modules, Shopping and Saving, which are targeted towards primary and secondary students respectively.

**Table 12** below shows the outcome of My Finance Coach Programme for years 2014 to 2017. As illustrated, there was a marked decrease in the rollout of MFC classes compared to previous years. We were also unable to conduct classes in East Malaysia. This was due to our branches being unable to participate in conducting MFC sessions due to constraints in resources. However, there was a slight increase in the rollout of the MFC Saving (“Saving”) module.

Overall, we have received positive feedback from students participating in the Saving module. Nonetheless, there are some concerns that the concepts and material, which touches upon investment options, are too advanced for their understanding as they are not included in school syllabuses. We attempt to address this by increasing the number of Finance Coaches that conduct Saving module sessions, which enables in-depth group discussions to address any questions students may have during a session.

Beginning 2018, we are preparing to move towards teacher training programmes as a more impactful and sustainable alternative to financial literacy sessions. This will attempt to address the issues faced during the roll out of our My Finance Coach sessions, while also supporting Bank Negara Malaysia’s goal of developing best practices for financial literacy in schools.

**Table 12: Outcome of My Finance Coach Programme**

My Finance Coach Programme				
	2014	2015	2016	2017
Cumulative Number of Students reached	2,041	4,358	6,844	<b>8,333</b>
Number of Coaches trained per year	57	105	47	<b>74</b>
Total number of Coaches trained (cumulative)	239	344	391	<b>465</b>
Number of Volunteering Hours (approximate)	744	600	524	<b>316</b>



Employee volunteers contributed over 300 volunteering hours towards Financial Literacy in 2017

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### ALLIANZ FINANCE CHALLENGE 2017



Students from SM Sains Banting releasing young River Terrapins as part of their winning project

This was the second year of the national-level Allianz Financial Challenge, our collaboration with FOMCA in conjunction with Hari Pengguna Malaysia 2017 to provide a platform for secondary school students to learn and apply their financial knowledge. The Allianz Financial Challenge ("AFC") 2017 was designed to encourage financial literacy among secondary school students, while also incorporating awareness on environmental issues occurring within Malaysia and how they could potentially develop solutions.

As part of their submission, students were required to plan an activity based on the theme 'Environmental Protection and Preservation' that would increase the environmental awareness, and protect or improve the state of the environment in a location of their choice. Each team, comprised of four students and a supervising teacher, submitted a proposal and video presentation of their project. This included thorough cost comparison research, as well as a detailed and realistic budgeting plan.

The winners of AFC 2017, a group of students from SM Sains Banting, won the opportunity to conduct their proposed programme fully funded by Allianz. Their initiative, "Save Tuntung" was successfully carried out in Kuala Terengganu in December 2017. Activities included attending an education talk by PERHILITAN, releasing young river terrapins back into the wild, and organising their own education talk and activities with students from SM Sains Hulu Terengganu.

Through the competition, students were encouraged to exercise their creative and critical thinking skills, team work as well as communication skills. We aim to expand the AFC beyond the planning and budgeting aspects of financial literacy, and target to incorporate other necessary skills such as entrepreneurship and social impact in upcoming years.



### Global Money Week 2017: "Learn, Save, Earn"

In conjunction with Global Money Week 2017, celebrated worldwide between 27 till 2 April, Allianz Life sponsored a visit for children from SHELTER Home and Yayasan Chow Kit to Bank Negara Malaysia's Museum and Art Gallery.

The children attended a talk, "Currency Education Programme", conducted by BNM's Currency Operation Management Department and enjoyed a tour of the museum and its six galleries. Through the visit, the children learned how bank notes are made, discovered the history of money and BNM, as well as gaining exposure to Malaysia's financial systems and Islamic concepts of commerce.

This event allowed us to extend our financial literacy initiatives to children from underserved communities that may not be a part of the national school system.

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**PILLAR 3: DISASTER RISK REDUCTION**

Three-year Targets	Indicators
<b>2018 to 2020</b>	
<ol style="list-style-type: none"> <li>To form an effective employee volunteer team for relief efforts</li> <li>To increase disaster preparedness of vulnerable communities</li> </ol>	<ol style="list-style-type: none"> <li>How many volunteers trained</li> <li>How many training sessions</li> <li>Number of disaster preparedness workshops conducted</li> <li>Number of approximate beneficiaries</li> <li>Feedback analysis on products catered towards vulnerable communities</li> </ol>

This pillar is developed with the objective of improving the disaster preparedness of vulnerable communities, and a long-term target of establishing an effective disaster relief team comprised of Allianz employee volunteers. This year saw a decrease in the roll out of our disaster-preparedness programmes; this is attributed in part to the difficulty in securing sufficient manpower in areas beyond Klang Valley. Nonetheless, the recurrence of several major flooding incidents this last year is a reminder on the urgency and pertinence of disaster risk reduction. As such, we continue our efforts to build our internal volunteering capacity as we improve our approach to providing disaster-preparedness workshops in 2018.

**HOME SAFE HOME PROGRAMME**

We believe it is important to equip our employees with the necessary knowledge and skills to face emergency situations. The Home Safe Home programme was conducted for our head office employees in August 2017 by Captain K. Balasupramaniam, a safety activist and emergency survival trainer. The Home Safe Home programme focuses on fire safety in urban residential areas.

Following the success of the programme, a three-hour session was organised for residents of Kampung Padang Air, Kuala Terengganu on 30 September 2017. Held at the Dewan Terbuka of SK Padang Air, participants learnt vital fire safety tips such as smoke survival and escape, managing evacuations for those with special needs and pets, as well as the correct use of fire extinguishers.

The programme incorporated flood preparedness elements, where residents were reminded of the do's and don'ts before, during and after a flood, as well as correct flood evacuation methods.

**PROVIDING RELIEF FOR VULNERABLE COMMUNITIES**

We continue our support for the Malaysian International Search and Rescue ("MISAR") volunteer team which is dedicated towards relieving the aftermath suffered by vulnerable and flood affected communities. In 2017, a total of RM160,000 was contributed to MISAR flood relief initiatives in Kelantan, Johor and Penang. Our monetary contributions assist in the timely provision and distribution of much needed relief items, such as food, drinking water as well as hygiene items to those who are forced to evacuate their homes during heavy flooding.

Following the sudden and major flooding of several areas across the Penang state, our support for MISAR enabled flood reliefs to reach twelve areas that were badly affected including Balik Pulau, Bukit Mertajam and Simpang Ampat. Aside from the flood relief items distributed through MISAR - which included pillows, blankets, toiletries, drinking water, diapers and sanitary pads - Allianz employees and agents from our Bukit Mertajam branch contributed items on a personal basis to evacuees in Dewan Serbaguna Perkampungan Juru on 6 November 2017.

By working together with the National Disaster Management Agency and Pertubuhan Gabungan Bantuan Bencana NGO Malaysia, we were able to identify areas that were still in need of clean drinking water upon returning home from evacuation centres. Eighty packs of mineral water were distributed to flood-stricken families in Kampung Ayer Hitam and Seberang Perai. Additionally, two Allianz Claims Caravans were deployed to Bukit Mertajam and Penang to expedite claims processing for our affected policyholders. This was accompanied by upfront interim payments and premium breaks.

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Since 2015, we have focused our efforts on building resilience and the flood preparedness of SK Tebing Tinggi in Tanah Merah, Kelantan as the school is an evacuation centre for the surrounding community. In collaboration with our community partner, Wild Asia, we equipped the school with solar power and water filtration systems to ensure that they can provide a safe haven for evacuees in the event of a flood. Twenty water filters and replacement cartridges were delivered following the installation of solar panels in March 2017.



Solar panels were installed in SK Tebing Tinggi, an evacuation centre, to ensure a safe haven for evacuees in the event of a flood

"In 2017, Allianz sponsored a solar powered generator and water filtration system to SK Tebing Tinggi to ensure that we are prepared and equipped in the event of a disaster. The solar powered generator system was installed as a back-up power system so we never have to worry about power outage at the school. The water filters provide us with clean drinking water when the school is converted into an evacuation centre during floods."

*Encik Khalid bin Daud,  
Headmaster of S. K. Tebing Tinggi, Kelantan*



### Water Security for Orang Asli Temuan

We collaborated with social enterprise, Build For Tomorrow and non-governmental organisation, EcoKnights to install a solar powered water system at Kampung Orang Asli Air Kuning located on the outskirts of Taman Botani Negara, Shah Alam.

The installation of the water system was carried out over three stages, beginning with the installation of a water pump, followed by solar panels, water tanks and distribution pipes.

Prior to this initiative, the community lacked access to a reliable source of water, electricity and sanitation. The newly installed solar-powered water system will benefit all 86 residents of the village.

The water filtrations systems have the capacity to filter up to 100,000 litres of water. The solar power system has the capacity to power eight 10 Watt LED lights, power plugs to charge telephones and laptops as well as a backup energy system for supplying electricity. In addition, a capacity building programme was delivered to provide knowledge on usage of the existing systems available to the school, namely a sand filter found on site. A tailor-made manual with explanations, maintenance and troubleshooting instructions were also provided.

Due to persistent rain and flooding in Kelantan, Orang Asli communities in Gua Musang were cut off due to inaccessible roads. A team of employee volunteers were deployed on a three-day relief mission for the delivery of 2.5 tonnes of food aid to 100 Orang Asli Temiar families from nine villages in the interiors of the Gua Musang area. Each family received a supply of dry and canned food, cooking oil as well as other basic food necessities.



Over 2.5 tonnes of basic food supplies were delivered to 100 Orang Asli families in Gua Musang

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**PILLAR 4: ENVIRONMENT**

Three-year Targets	Indicators
<b>2018 to 2020</b>	
<ol style="list-style-type: none"> <li>To reduce the consumption of energy by 34% and paper by 40%</li> <li>To implement green guideline company-wide</li> </ol>	<ol style="list-style-type: none"> <li>EMS: Paper and Energy 2020 Targets</li> <li>Energy audit</li> </ol>

Aside from our ongoing efforts to integrate environmental stewardship into our wider business practices, we believe it is pivotal to embed environmental awareness and instil a culture of collective responsibility among our employees. Initiatives were organised throughout the year to encourage internal awareness on environmental issues. More information on our EMS can be found in the **Integrating Sustainability** section of this report.

**CELEBRATING EARTH HOUR AND WORLD ENVIRONMENT DAY**

Foremost is our support for the World Wide Fund for Nature (WWF)'s Earth Hour initiative on 25 March 2017, where Allianz operating entities across the globe participated by turning off their lights. Locally, Allianz sponsored 65 of our employees to participate in the Earth Hour Night Walk event held on the same day between 8.30 to 9.30pm in Georgetown, Penang and Petaling Jaya, Selangor.

We engaged environmental advocates, EcoKnights, to conduct a terrarium-making workshop for our head office employees on 24 May 2017. Participants were provided with necessary materials and given step by step guidance to create their own mini-ecosystem. In celebration of World Environment Day on 5 June 2017, recycling drives were conducted at our branches nationwide with 4.2 tonnes of papers being collected. Three vendors were engaged to collect paper, electronic and cloth items at our head office. Proceeds from the collection of cloth items by Kloth Malaysia were channelled to the National Cancer Council Malaysia and the Malaysian Association for the Blind.



*Our Sandakan branch employees contributed to the collection of 4.2 tonnes of recycled material*

**Water Security for Orang Asli Temuan**

We collaborated with social enterprise, Build For Tomorrow and NGO, EcoKnights to install a solar powered water system at Kampung Orang Asli Air Kuning located on the outskirts of Taman Botani Negara, Shah Alam.

The installation of the water system was carried out over three stages, beginning with the installation of a water pump, followed by solar panels, water tanks and distribution pipes.

Prior to this initiative, the community lacked access to a reliable source of water, electricity and sanitation. The newly installed solar-powered water system will benefit all 86 residents of the village.



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## PILLAR 5: COMMUNITY

Three-year Targets (2018 to 2020)	Indicators
<b>2018 to 2020</b>	
<ol style="list-style-type: none"> <li>1. Increase public awareness on products available to PWDs</li> <li>2. To develop capacity-building for NGOs</li> <li>3. To increase employee volunteering opportunities</li> <li>4. To improve the outreach of our community initiatives</li> </ol>	<ol style="list-style-type: none"> <li>1. How many workshops/awareness campaigns conducted</li> <li>2. Number of outreach &amp; initiatives</li> <li>3. Feedback analysis on capacity-building initiatives</li> </ol>

By offering skills and resources, we strive to advance long-term social wellbeing in addition to providing financial and practical support to local communities. Guided by our priority areas of social inclusion and the equalising of opportunities, the community pillar of our corporate responsibility initiatives enables us to provide support and assistance to targeted segments of underserved communities.

### MENTOR-MENTEE NGO FORUM

We believe that ensuring the sustainability of NGOs is of equal importance to the provision of resource support. In October 2016, Allianz sponsored a two-day boutique NGO workshop organised by I First International Sdn. Bhd. which focused on the sustainability and effectiveness of non-profit sector board members and management. Following the said workshop, a half-day Mentor-Mentee Forum attended by 34 participants from various NGOs, social enterprises and foundations was held in March 2017.

### PERTUBUHAN TINDAKAN WANITA ISLAM

We continue our support for Pertubuhan Tindakan Wanita Islam ("PERTIWI"), a non-profit organisation dedicated to the welfare of marginalised groups. Established in 2010, PERTIWI Soup Kitchen focuses on food distribution to the homeless and urban poor across Kuala Lumpur. In 2017, Allianz sponsored meals and beverages for six PERTIWI Soup Kitchen sessions. Our donation of a Navarra pickup truck to PERTIWI Health Services has proven useful as it continues to serve as a mobile clinic for use by their medical team of volunteer doctors to address medical concerns faced by the homeless and urban poor community. We currently support the yearly maintenance of the truck. We continue to receive positive and eager participation from our employee volunteers, with a total of 238 employee volunteers participating in the six PERTIWI Soup Kitchen sessions, contributing a total of 595 man hours.



*238 employee volunteers participated in Pertiwi Soup Kitchen sessions throughout the year*

### FESTIVE GIFT-GIVING

In the spirit of Ramadan, employee volunteers delivered Hari Raya goodies and basic necessities such as rice, sugar, milk, cooking oil, condiments and diapers. All items were donated by employees to Lembaga Pelawat Rumah Ehsan in Kuala Kubu Bharu, Pusat Pemulihan Dalam Komuniti Rawang (PDK Rawang), Pusat Pemulihan Dalam Komuniti Sg. Choh (PDK Sg Choh), Selangor Cheshire Home and Dignity for Children Foundation from 19 to 22 June 2017.

Hari Raya goodies were also distributed to students of SK Tebing Tinggi and SK Sokor in Tanah Merah, Kelantan as well as underprivileged families located in Kelantan, Perak and Selangor. Several of these families have been supported by Allianz following their displacement caused by major flooding of the East Coast in 2014. Eight of our branches supported this initiative by donating and contributing Hari Raya goodies to communities within their respective locations, which include Bukit Mertajam, Kajang, Kepong, Kota Bharu, Kuala Terengganu, Kuantan, Miri and Sandakan.



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Our second consecutive year-end gift-giving initiative was held between December to January 2018 to commemorate the end of 2017. Thanks to the eager contributions of our head office employees, gifts were delivered to 554 underprivileged children from twelve NGOs in Ipoh and the Klang Valley area.



Food was distributed to provide festive cheer for underprivileged families during Hari Raya

In January 2017, Allianz General donated RM5,000 to SK Semenyih 1 in Kajang, Selangor to help renovate its bathrooms for better accessibility for 25 PWD students at the school.

Amongst others, the donation went towards repositioning the restroom sinks to a lower height, installing handrails, and construction of a wheelchair ramp.

BREAKING BARRIERS

Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI") is a charitable organisation that provides door-to-door transportation for wheelchair users within Klang Valley. Each MOBILITI van is modified with wheelchair restraint systems and hydraulic lifts to enable PWD passengers to travel within Klang Valley at an affordable fee. Since 2006, we have sponsored the operational costs of MOBILITI, which includes fuel, tolls, maintenance and salaries. Allianz also provides free comprehensive Motor Insurance and Enhanced Road Warrior insurance for four sponsored vans. MOBILITI made over 8,068 trips from June 2016 to June 2017, providing a valuable service to their 1,800 registered passengers whom rely on MOBILITI for their hospital and rehabilitation visits.

As highlighted in the earlier sections on **Employer of Choice** and **Integrating Sustainability**, we are committed to the empowerment and equalising of opportunities for PWDs. Following our title sponsorship of the Malaysian contingent to compete in the 9th International Abilympics 2016 held in France, we have donated RM100,000 to the Malaysian Council of Rehabilitation in support of the national-level competition to be held in 2018, as well as the training needs of the Malaysian contingent in preparation for the 10th International Abilympics to be held in China in 2020. The Abilympics, or Olympic of Abilities, is a PWD skills competition shaped around five professional categories: Service, Information Technology, Industry, Craft and Food which is further split into 48 different skills.

BLOOD DONATION DRIVE AND ORGAN DONATION PLEDGE

In conjunction with Malaysia Day, a nationwide Blood Donation Drive and Organ Donation Pledge was organised at six locations from 13 to 26 September, 2017. This was the fourth consecutive year of this initiative, with drives being held at public venues and branches in Kuala Lumpur, Langkawi, Melaka, Temerloh, Ipoh and Kota Bharu. The drives were done in coordination with the National Blood Bank, National Transplant Resource Center and participating hospitals in the respective states. A total of 343 people donated a pint of blood each, while 78 individuals pledged their organs. Throughout the four years of conducting this initiative, we have garnered a cumulative total of 1,832 blood donors and 585 organ pledges.

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## CELEBRATING & NURTURING THE MALAYSIAN SPIRIT

The promotion of Malaysian unity and diversity is an important aspect to our ambition of achieving social inclusivity. The Unity Ride, organised by social enterprise Projek57, was a cycling event which took place across Malaysia beginning on 6 August and ending symbolically on 16 September. A total of fifty-five cyclists, from all walks of life, travelled throughout Malaysia to promote greater unity among Malaysians. As one of the main sponsors, Allianz was represented by a team of seven cyclists comprising of employees and agents from our Kuala Lumpur, Kota Bharu, Kuala Terengganu, Johor and Melaka branches.

The ride consisted of nine legs with pit stops organised at each leg. Activities included dialogues on the theme of 'Unity in Your Eyes', workshops with youths, and screenings of *Ola Bola* and *Road to Nationhood*, a documentary on Malaya's journey to independence. Allianz Chief Executive Officer, Zakri Khir, joined panel dialogues held on 7 and 13 August in UTAR Kampar in Perak and Ecoworld Macallister in Penang respectively. A special dialogue on 'Unity and what it means to Malaysians' was held at the head office on 23 August 2017. The panellists included Zakri Khir, Malaysian football legend Datuk Santokh Singh, human rights lawyer Siti Kasim and Projek57 founders Collin Swee and Syed Sadiq Albar.

Additionally, our employees from our head office celebrated the formation of Malaysia by reliving history through a series of activities held on 15 September, which included a screening of *Ola Bola* and the P. Ramlee classic *Madu Tiga*, wau making and batik painting. Employees from our head office and branches wore traditional Malaysia costumes to commemorate the special day. We are inspired by the enthusiasm of our employees to celebrate and foster unity among Malaysians.



Fifty-five Malaysians of various walks of life celebrated Malaysian unity on a cycling trip across the country

## FOSTERING YOUNG TALENTS

As a Platinum Partner of FC Bayern Munich, Allianz Group has organised the annual Allianz Junior Football Camp ("AJFC") since 2009. Young football talents of ages 14 to 16 years old from all over the world gather in Munich to gain exclusive experience behind the professional world of football around FC Bayern Munich. The AJFC Malaysia represents our commitment to provide a viable platform for young Malaysian talents to pursue their passion for the game while promoting grassroots development of junior football players.



Three Malaysian players joined 51 other young footballers at the AJFC Camp held in Munich

This year, 1,584 teenagers participated in the AJFC Malaysia League held in Bangi, Melaka, Kuantan, Sabah and Penang. The league format, which runs up to six weeks simultaneously across six regions, was introduced in 2015 to enable a more structured competitive environment for participating talents. Subsequent to the Grand Finals held in Stadium Universiti Putra Malaysia in July 2017, 13 players were selected to compete against young footballers from six countries in the AJFC Asia Camp held in Bali, Indonesia from 1 to 4 August 2017. Following this rigorous process, three of the best Malaysian players were selected to join 51 other young footballers to participate in the AJFC Camp in Munich.



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Responsible Corporate Citizen

Community Development: Building a Socially Inclusive World

During the camp, players underwent daily training sessions where they were able to refine their skills through drills that emphasised various techniques from ball control to types of passing and shooting accuracy. Players took part in numerous activities, including a session with FC Bayern's sports psychologist and a stadium tour of the Allianz Arena. The biggest highlight of the trip was the opportunity to watch FC Bayern Munich compete against Bayer Leverkusen in the opening Bundesliga match on 18 August 2017, followed by a meet and greet session with several members of the FC Bayern Munich team.

"I am very thankful that through Allianz Junior Football Camp I received many opportunities. It was through my involvement in the Allianz football programme that I received my call-up for the Malaysian under-17 team. From there I was selected to join the Selangor FA state team. Again, this is all because of Allianz."

*Eighteen year old Sharvin s/o Selvakumaran, who is currently attached to the Selangor FA Under-19 team*



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## EMPOWERING MALAYSIANS TOWARDS A HEALTHY AND ENRICHED QUALITY OF LIFE

The IJM Allianz Duo Highway Challenge, which attracted over 9,000 runners, was held in collaboration with IJM Corporation Berhad. Runners had the option to participate in the 13KM challenge run along the Besraya Highway (E9) on 30 July 2017 and a 21KM challenge run along the NPE Highway (E10) on 10 September 2017. The final winners of the Duo Highway Challenge were selected based on the fastest combined timing from both runs.

The Allianz Pacer Run held on 29 October 2017 attracted over 5,000 runners in its third year. The Pacer Run's 12KM route featured five categories – Men's Open, Women's Open, Men's Veteran, Women's Veteran and the Corporate Challenge. This year, the National Stroke Association of Malaysia was the recipient of the RM15,000 donation collected via the Corporate Challenge. Apart from the run, participants were able to obtain a free health screening conducted by Cardio Vascular Sentral. We recognise the Allianz Pacer Run as an important engagement channel with our various stakeholders; this year a total of 122 employees and 418 agents participated in the run, with over 30% of the 5,000 runners being Allianz customers.

Additionally, the Allianz Pacesetters 4x3KM Relay Run was held on 4 November 2017 at Padang Merbok. The Allianz Pacesetters Relay is an annual event organised by Allianz in collaboration with renowned running group Pacesetters since 2014. The relay sees teams of four runners taking part in a fun 3KM race. A total of 37 corporate teams took part in the Kiwanis Pace-it-Forward category which required a minimum donation of RM1,000 per team with proceeds being channelled to the Kiwanis Down Syndrome Foundation. Since 2014, the event has raised a total of RM195,000 for Down's syndrome.



Over 5,000 running enthusiasts participated in the Allianz Pacer Run and Allianz Pacesetters 4x3KM Relay Run in 2017





Allianz partnered with Build for Tomorrow for the installation of a solar-powered water system to provide a reliable source of water and sanitation for villagers of Kampung Orang Asli Air Kuning located on the outskirts of Taman Botani Negara, Shah Alam.



# GOING ABOVE AND BEYOND

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# Corporate Governance Overview Statement

The Board of Directors believes that strong corporate governance is fundamental to build a responsible organisation and deliver long term sustainable value to the shareholders and various stakeholders.

## THE CORPORATE GOVERNANCE CULTURE IN ALLIANZ

### OVERVIEW

The Board of Directors ("Board") and the Management are cognisant that corporate governance ("CG") is a continuous journey and it could only be implemented effectively with full commitment and support from all levels of employees in Allianz Malaysia Berhad ("Company") and its insurance subsidiaries (collectively referred to as "Group"). With this in mind, constant review and awareness building on the Group's CG practices are undertaken to ensure that such practices remain robust and relevant to the Group's business at all times, which ultimately foster long-term sustainability of the Group.

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Subsequent to the release of the Malaysian Code on Corporate Governance ("Code"), a gap analysis on the comparison between the practices as set out in the Code ("Practices") and the CG practices of the Group has been prepared by the Company Secretarial Department to identify the areas for further improvement. Key focuses and future priority were also identified through the gap analysis and endorsed by the Board.

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Pursuant to the criteria as prescribed under the Code, the Company was not categorised as a Large Company for the financial year ended 31 December 2017 ("FY 2017"), however, the Company was qualified as a Large Company with effect from 1 January 2018. Notwithstanding the foregoing and save for those highlighted in the CG Report, the Company applied the Practices as recommended for Large Companies.

This CG Overview Statement is prepared in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad.

This CG Overview Statement is to be read together with the CG Report for the FY 2017 which is available in the Company's website at [allianz.com.my/corporate-profile](http://allianz.com.my/corporate-profile) (under the Corporate Governance section), demonstrates the collective commitment of the Board and the Management of the Group in applying the Practices of the Code and embracing the highest standard of CG into the culture of the Group.

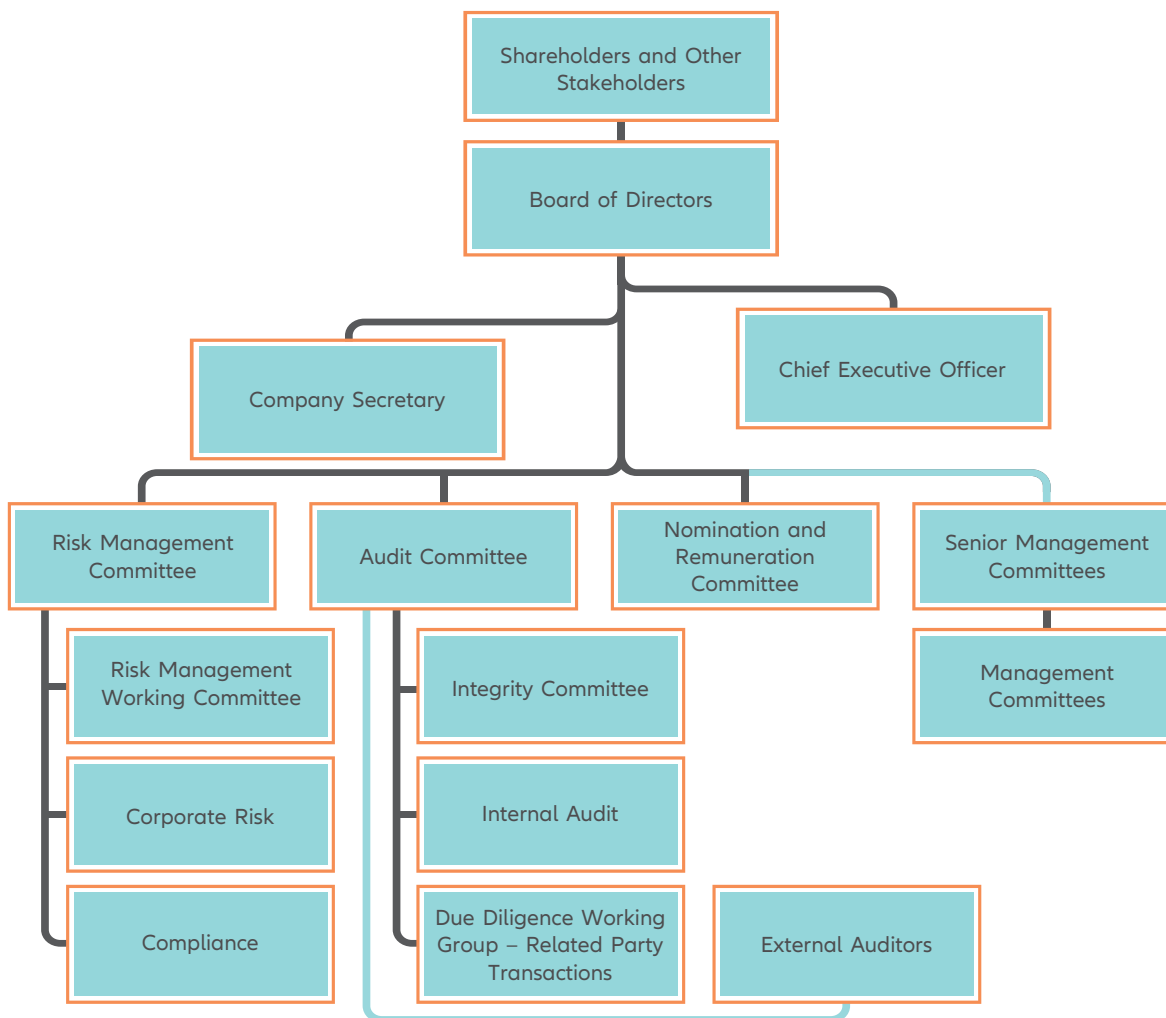
## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

The Board is responsible for overseeing the overall affairs of the Company. To ensure effective discharge of its functions and responsibilities, distinction must be maintained between Management's functions and the overall responsibility of the Board.



The following chart illustrates the CG framework adopted by the Group:-



The Board is accountable to the shareholders and therefore should use its best efforts to ensure that the Company is properly managed and constantly improved so as to protect and enhance shareholders' value and to meet the Company's obligations to all parties with which the Company interacts. The Board acts in good faith, exercises discretion and proper power in discharging its fiduciary duties and leadership functions with reasonable care, skill and diligence.

The Board plays an active role in the Group's strategic direction and planning. The strategic planning of the Group is forward looking and encompasses a 3-year action plan to address short-term business goals and long-term value creation including strategies on economic, environmental and social considerations.

The Board deliberated on a 3-year business plan for 2018 to 2020 with detailed strategies, financial projection, key performance indicators, its execution and challenges faced by the insurance subsidiaries ("Business Plan"), which might have impact on the dividend income of the Company, and approved the Business Plan in November 2017. On a quarterly basis, the Board reviews the status of the Business Plan and its deliveries.

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The Board has established a Board Charter which encompasses, among others, the Board's role, duties, responsibilities, powers, code of conduct, division of responsibilities and powers between the Board and the Management, and between the Chairman and the Chief Executive Officer ("CEO"), the Terms of Reference of the Board Committees, the performance evaluation process for the Directors and Board Committees, to serve as a guide or key reference points for the Directors and the stakeholders.

The Board Charter is reviewed on an annual basis and updated from time to time to ensure that it is in line with internal and regulatory requirements as well as governance best practices.

In March 2018, the Board reviewed the Board Charter to reflect requirements of the Code and Policy Document on CG issued by Bank Negara Malaysia ("BNM").

The Board formulated the Code of Ethics for Directors with the aims to enhance the standard of CG and corporate behaviours. While the Allianz SE Group's Code of Conduct for Business Ethics and Compliance for employees ("Allianz Group Code of Conduct") aims to promote ethical conduct within the Group and encompasses non-disclosure of the Group's information, accountability and areas on potential conflict of interest, is made compulsory for all employees of the Group.

The Group also has an established whistleblowing mechanism in place to enable anonymous and non-anonymous reporting of any breach of the Allianz Group Code of Conduct, any laws, regulations, orders or internal rules. All whistleblowing incidences in the Group are reviewed by the Integrity Committee and the findings are reported to the Audit Committee ("AC").

The Board is supported by the Company Secretary, who is qualified pursuant to Section 235 of the Companies Act 2016. The Company Secretary plays an advisory role to the Board in relation to the Company's Articles of Association (Constitution), policies and procedures, and compliance with the relevant regulatory requirements, guidance and legislations as well as the principle of best CG practices.

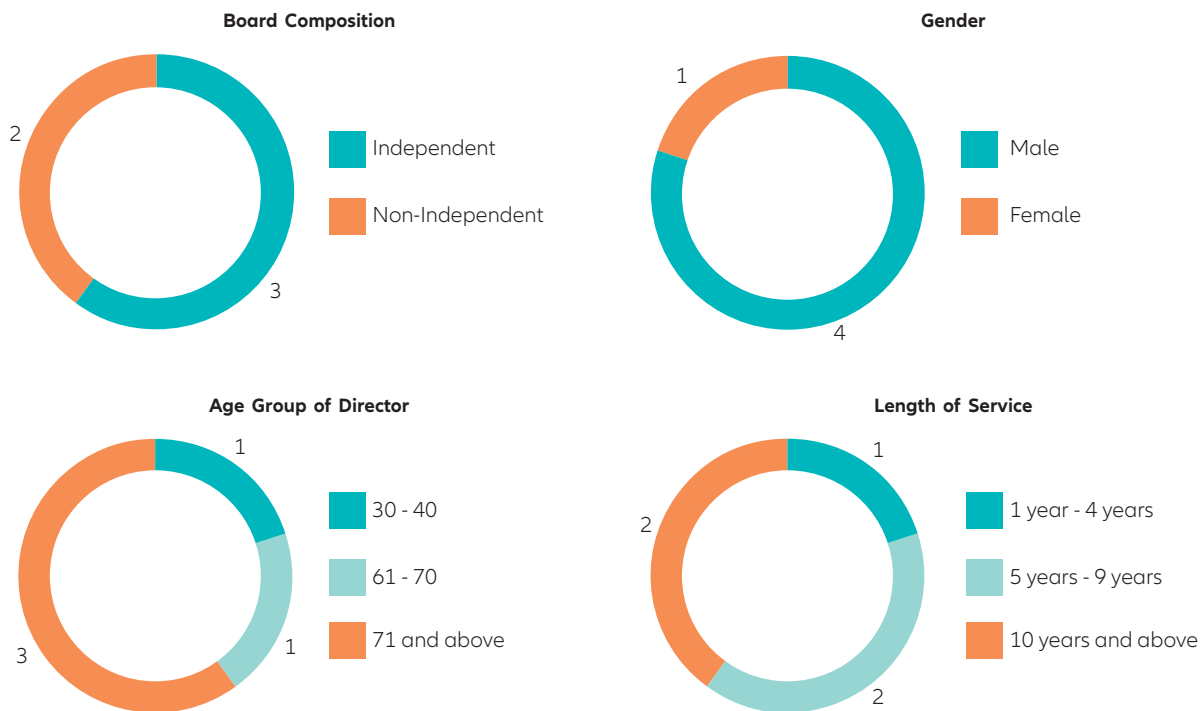
Details of the Board Charter, Allianz Group Code of Conduct and Whistleblowing Policy and Procedures are available for reference in the Company's website at [allianz.com.my/corporate-profile](http://allianz.com.my/corporate-profile) (under the Corporate Governance section).

## II. BOARD COMPOSITION

The Board composition of the Group is structured to encourage objective and independent deliberation, review and decision making. The Board of the Company comprising purely Non-Executive Directors with a majority of Independent Directors.

The Group has in place the evaluation process and procedures for appointment of Directors. Nomination of candidate for appointment as Director and Key Responsible Persons will be evaluated by the Nomination and Remuneration Committee ("NRC"). The NRC in making its recommendation on candidates for directorship, considers among others, the candidate's skill, knowledge, competencies, experience and diversity of the Board.

The Board's information as at the date of this CG Overview Statement is presented in the charts below:-



The profile of the Directors is set out in the Board of Directors' Profile in this Annual Report.

The policy on the tenure of Independent Directors is set for a maximum period of 9 years. An Independent Non-Executive Director who has served the Board for a consecutive service of more than 9 years may continue to serve on the Board but in the capacity of a Non-Independent Non-Executive Director.

The NRC conducts an annual assessment of the performance and effectiveness of the Board, Board Committees and the contribution by each Director ("Annual Assessment") to the effectiveness of the Board and Board Committees. The observations from the NRC are tabled to the Board for deliberation.

In 2017, the Board engaged an external independent consultant, Institute of Corporate Directors Malaysia ("ICDM") to conduct the Board Effectiveness Assessment and Individual Director Evaluation. The findings of the comprehensive assessment by ICDM explained the key areas identified for improvement and a Board improvement plan, which covered Board composition, Board information, Board agendas and meetings, Board Committees, Board leadership, Board dynamics,

Board and Management relationship and Board processes. The said results were reported to the Board in the first quarter of 2018, while a subsequent follow-up on the same is scheduled in the second quarter of 2018.

The Board supports the universal move to appoint more female Directors to the Board. As guided by the principle that appointment of new Board member shall not be based solely on gender but rather the candidate's skill set, competencies, experience and knowledge in areas identified by the Board. The Board fully endorsed that female candidates should be included in the evaluation process for appointment of new Directors to the Board.

As at the date of this CG Overview Statement, there was one female Director on the Board, which made up to 20% of the Board.

In 2017, the Board intensified its effort to source for another suitable female candidate for appointment to the Board. To date, the effort for sourcing of a female candidate is fruitful and the Board is confident that the Board will be able to meet the 30% female Directors target by the year end of 2018.

## Corporate Governance Overview Statement

### III. REMUNERATION

The Board has put in place a remuneration policy for Directors. The remuneration of the Board is reviewed by the NRC based on the remuneration policy approved by the Board.

Following the issuance of the Directors' Remuneration Report 2015 by the Financial Institutions Directors' Education Forum ("FIDE Remuneration Report") on 7 December 2015, with recommendation from the Remuneration Committee, the Board approved a 3-year step-up plan (2016 to 2018) for Directors' remuneration.

The Directors' fees, allowances and benefits payable to the Chairman and Non-Executive Directors of the Group will be tabled for the shareholders' approval at the 44th Annual General Meeting ("AGM") of the Company.

The Board has established a remuneration policy for the Key Responsible Persons (including the CEO but excluding the Non-Executive Directors) to drive meritocracy and to foster a performance driven reward culture. The said policy provides guidance on the remuneration of the Key Responsible Persons based on the performance management process of the Group. It also outlines the impact of non-compliance of law, regulatory guidelines and internal policies and procedures on the remuneration of the Key Responsible Persons.

Details for the roles and responsibilities of the NRC are attached to the Board Charter which is published in the Company's website at [allianz.com.my/corporate-profile](http://allianz.com.my/corporate-profile) (under the Corporate Governance section).

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

The AC comprises two Independent Non-Executive Directors and a Non-Independent Non-Executive Director. The AC is chaired by an Independent Non-Executive Director, Dato' Dr. Thillainathan A/L Ramasamy.

The Board observes the cooling-off period of at least two years for a formal external auditor who directly involved in the engagement with the Company to be appointed as a member of AC. The Board Charter had been amended in March 2018 to reflect the

above provision. In this respect, none of the Directors was former key audit partner within the cooling-off period of two years.

The AC conducts annual assessment on the external auditors based on the criteria as prescribed under Paragraph 15.21 of the Listing Requirements as well BNM's guidelines on appointment of external auditors. The AC also evaluates and recommends to the Board on the proposed appointment of the engagement partner and the concurring partner, and ensures that there is a rotation on the said partners at least once every five years.

The Board is committed in ensuring the independence of the external auditors. Accordingly, significant attention is directed toward the appropriateness of the external auditors to perform services other than statutory/financial audit. The Board had on 17 August 2012 approved the Policy on Audit and Non-Audit Services Provided by External Auditors to ensure that the suitability, independence and objectivity of the external auditors are not compromised.

The NRC undertakes an annual assessment on the composition and performance of the AC including performance of individual AC member, to ensure that the AC has the necessary skills to carry out its duties and responsibilities.

In addition, in view of the important role of the AC in ensuring that there are adequate checks and balances within the operations of the Group, all AC members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance audits, including risk management, underwriting, investment and claims management.

Details for the roles and responsibilities of the AC are attached to the Board Charter which is published in the Company's website at [allianz.com.my/corporate-profile](http://allianz.com.my/corporate-profile) (under the Corporate Governance section).

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board carries out its oversight responsibilities on the risk management and internal control of the Group through the AC and Risk Management Committee ("RMC").

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The Group has in place the Risk Management Framework Manual which outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the risk identification, evaluation and monitoring process of the Group.

The RMC drives the risk management framework of the Group. The RMC also deliberates on on-going assessment and key risks identified and actions taken to mitigate and/or minimise the risks from Compliance and Risk Management functions. The AC through the Internal Audit function assists the Board to assess the effectiveness and adequacy of the Group's internal control system.

The Board is of the view that the system of internal control and risk management of the Group is sound and sufficient to safeguard the shareholders' investments and the Group's assets.

Further information in regard to the risk management and internal control framework is presented in the Statement on Risk Management and Internal Control in this Annual Report.

Details for the roles and responsibilities of the RMC are attached to the Board Charter which is published in the Company's website at [allianz.com.my/corporate-profile](http://allianz.com.my/corporate-profile) (under the Corporate Governance section).

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### I. COMMUNICATION WITH STAKEHOLDERS

In maintaining the commitment to effective communication with shareholders and stakeholders, the Company adopts the practice of comprehensive, accurate and timely disclosures of information to its shareholders as well as to the general investing public to enable them to make informed investment decisions. The Company disseminated information through publication of quarterly report, annual report, corporate announcement through Bursa LINK, Investor Relations, press releases, corporate website and social platforms.

The Board endeavours to adopt Integrated Reporting, in line with Practice 11.2 as set out in the Code. Given that the preparation of Integrated Reporting requires integrated thinking of the relationship between various

functions within the Group, the Board will, during the financial year ending 31 December 2018, explore and develop a strategic plan to lay foundation for the adoption of Integrated Reporting.

### II. CONDUCT OF GENERAL MEETINGS

The AGM is the principal forum to communicate with the shareholders. As part of the Company's effort to encourage shareholders' participation at the AGM, a strategic venue with convenient access to public transportation was selected as the venue for the AGM.

The Notice of the 43rd AGM was despatched to shareholders 28 days prior to date of the AGM to provide sufficient time for the shareholders to review the Group's financial and operational performance and to evaluate the resolutions tabled at the AGM, as well as to enable the shareholders to make the necessary arrangement to attend the AGM.

Shareholders are encouraged to raise questions or seek clarification pertaining to the operations, financial and business related issues and any other related matters to the agenda of the AGM.

All members of the Board, Senior Management comprising the CEOs of the insurance subsidiaries, Heads from various Departments and the External Auditors are present at the AGM to engage directly with the shareholders and to address concerns that may be raised by the shareholders. Suggestions received from the shareholders during the AGM, where applicable, will be evaluated and considered for implementation by the Board.

The Board leverages on technology to improve conduct of AGM. The Board had at the 43rd AGM held on 24 May 2017 begun to conduct poll voting electronically. The Company will continue to explore ways including further leveraging on technology, to encourage greater participation of shareholders at AGMs.

This CG Overview Statement was approved by the Board on 26 March 2018.

# Statement on Risk Management and Internal Control

This Statement on Risk Management and Internal Control ("Statement") is made pursuant to Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("MMLR") that requires the Board to include in the Company Annual Report a statement about the state of its internal control.

This Statement has been prepared in accordance with the Statement on Risk Management and Internal Control - Guidelines for Directors of Listed Issuers issued by an industry-led task force in December 2012.

## BOARD RESPONSIBILITY

The Board of Directors ("Board") recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board is fully committed to ensure that effective risk management and internal control systems are in place within Allianz Malaysia Berhad and its subsidiaries (collectively referred to as the "Group") and continuously review the adequacy and integrity of these systems. Such systems, designed to safeguard shareholders' investments and the Group's assets, however, can only mitigate rather than eliminate the risk of failure to achieve the business objectives of the Group. These systems, by their nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established an on-going process for identifying, evaluating and managing the significant risks encountered by the Group in achieving its business objectives. The process, which is reviewed and updated from time to time to cater for changes in business environment, has been in place throughout the financial year ended 31 December 2017 and has continued up to the date on which this Statement was approved.

The Audit Committee ("AC") through the Internal Audit function assists the Board to assess the effectiveness and adequacy of the Group's internal control system. The AC has oversight on the Internal Audit's independence, scope of work and resources. The AC deliberates on key internal audit findings and investigation reports tabled on a quarterly basis.

The Risk Management Committee ("RMC") deliberates on the on-going assessment and key risks identified and actions taken to mitigate and/or minimise the risks from Compliance and Risk Management functions. This is to ensure that the key risks are adequately managed and the management process is in place and functioning effectively.

The Board is also informed of the decision and significant issues deliberated and recommendations by the AC and RMC via the reporting of the respective Chairman of AC and RMC and the minutes of the AC and RMC tabled at the Board Meetings.

The Chief Executive Officer and the Chief Financial Officer have given assurance to the Board on the adequacy and effectiveness of the Group's risk management and internal control system. For the financial year ended 31 December 2017 and up to the date of this Statement, the Management has not identified any significant deficiencies in the design or operation of risk management and internal controls of the Group that could adversely affect the Group's ability in meeting its business objectives.

## CONTROL STRUCTURE

The key processes that the Board has established for reviewing the adequacy and integrity of risk management and internal controls of the Group are as follows:-

## RISK MANAGEMENT FRAMEWORK

The Board recognises the importance of having in place a risk management system to identify key risks and implement appropriate controls to manage such risks as an integral part of the Group's operations. The Group has in place a Risk Management Framework Manual ("RMFM") for all companies within the Group ("OEs"). The RMFM outlines the guiding principles of the risk management approach, structure, roles, responsibilities, accountabilities, reporting requirements as well as the risk identification, evaluation and monitoring process of the Group. It is designed to formalise the risk management functions and practices across the Group and to increase awareness of the Group's employees to risk identification, measurement, control, on-going monitoring and reporting.

The RMFM is in compliance with the relevant Bank Negara Malaysia ("BNM") and Allianz SE Group's guidelines and policies.

The system of risk governance process is integrated into the core management processes and forms part of the daily business process so that a value-added contribution in terms of sustainable competitive advantage and improved business performance can be established. Various standards are implemented by the Group, including organisational

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structure, risk strategy, written policies, authority limits, system documentation and reporting, to ensure accurate and timely flow of risk related information and a disciplined approach towards decision making and execution.

The Group also adopts the three lines of defence model where the “first line of defence” rests with the business managers. They are responsible in the first instance for both the risks and returns of their decisions.

The “second line of defence” is made up of the oversight functions comprising Legal, Compliance, and Risk Management that are independent from business operations.

- The Legal function seeks to mitigate legal risks arising from legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual terms.
- The Compliance function assists the respective Board and Senior Management of the OEs in managing and mitigating the compliance risks due to any non-compliance of the requirements of the law, regulations as well as regulatory and industry guidelines.
- Risk Management function assists the respective Board and Senior Management of the OEs to achieve its strategic goals and objectives by implementing risk management activities and controls across the organisation.
- Both the Compliance and Risk Management functions report to the RMC which assists the respective Board of the OEs to discharge its oversight function effectively. As part of its responsibilities, the Compliance and Risk Management functions advise the respective Board and Senior Management of the OEs on compliance, risk and regulatory matters; and provide training to the Group’s employees.

In addition to the above oversight functions, Actuarial function of the insurance OEs constitutes additional components of the “second line of defence”. Actuarial function contributes towards assessing and managing risks in line with regulatory requirements and reports to the respective Board and Senior Management of the OEs. Its scope of work includes coordination and calculation of technical reserves, product pricing and profitability oversight and contribution to the effective implementation of the risk management system. An appropriate control framework has been established to avoid any potential conflict of interest to fulfil its role as the second line of defence.

The RMC drives the risk management framework of the Group and reports quarterly to the respective Board of the OEs on its recommendations and/or decisions. The Risk Management Working Committee (“RMWC”) is established at the management level of the respective OEs and serves as a platform for two way communications between the Management and the RMC on matters relating to risk strategy and management. Through the quarterly reporting from RMWC, the RMC consolidates the status of the risks and presents them to the respective Board of the OEs for consideration.

## INTERNAL AUDIT

The Internal Audit function of the Group, which reports to the AC, undertakes independent reviews or assessments of the Group’s operations and its system of internal controls. It provides monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Group. The internal audit personnel form the “third line of defence” and are independent from the day-to-day activities of the Group and have unrestricted access to all activities conducted by the Group.

Internal Audit Plan is developed based on annual risk assessment and approved by the AC. The audit scope covers auditable areas encompassing financial operations, underwriting and claims operation, sales operations, operations supports, internal and regulatory compliance audit such as business continuity management, replacement of policy and information technology (“IT”) systems.

Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with internal audit recommendations. All internal audit reports are submitted to the AC. The AC deliberates on key audit findings and management actions to address these findings during the AC meetings.

Follow-up audits are also performed to monitor continued compliance and the internal auditors will provide quarterly updates to the AC on the progress of the management action plans as well as progress of the audit plan.

## Statement on Risk Management and Internal Control

### OTHER KEY INTERNAL CONTROL PROCESS

The other key processes that the Board has established to provide effective internal control include:-

#### Clear and Defined Organisational Structure

- The Group has established an organisational structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Group's activities. The insurance OEs have formally used the services of the Board Committees of the Company. The Board Committees have the authority to examine matters under their terms of reference and report to the respective Board of the OEs with their observations and/or recommendations. The ultimate responsibility for the decision on all matters, however, lies with the respective Board of the OEs.
- Various Management Committees are established by the Management of the insurance OEs to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor performance and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the respective Board of the OEs.

#### Management Authority Limit

- The Boards' approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision making process in the Group. The operational authority limits incorporates segregation of duties and check and balance in delegation of authority.
- The Management's authority limits covers underwriting of risks, claims settlement, reinsurance, investment and capital expenditures and are reviewed and updated to ensure relevance to the Group's operations. Such authority limits are documented and made available to all staff via the Group's staff e-portal.
- In ensuring that the decision making process is transparent and to the best interest of the Group, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities

on an annual basis. In addition, they are also required to disclose to the Group, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

#### Policies and Procedures

- Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.
- These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required. Policies are also made available via the Group's staff e-portal for easy access by the employees.

#### Annual Business Plan and Performance Review

- Annual business plans are reviewed by the Senior Management Committees of the OEs before submitting to the respective Board of the OEs for approval. Financial condition and business performance reports are also submitted to the respective Board of the OEs for review during the meetings. These reports cover all key operational areas and provide a sound basis for the respective Board of the OEs to assess the financial performance of the OEs and to identify potential problems or risks faced by the OEs, thus enabling the respective Board of the OEs to effectively monitor on an on-going basis, the affairs of the respective OEs.

#### Related Party Transactions

- The Group complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/018-6) and the MMLR in respect of its related party undertakings. Necessary disclosures were made to the respective Board of the OEs and where required, prior approval of the respective Board of the OEs and/or shareholders for the transactions had also been obtained.
- In line with Part E, Paragraph 10.09 of the MMLR on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), the Company had obtained the shareholders' mandate for the Group to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of the Company.

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- The Group has also established a review procedure for related party transactions including Recurrent Transactions (“RPT Review Procedure”) to ensure that:
  - (i) they are undertaken on arm’s length basis;
  - (ii) they are consistent with the Group’s usual business practices and policies;
  - (iii) the transaction prices and terms are not more favourable to the related parties than those extended to third parties/public; and
  - (iv) they are not to the detriment of the minority shareholders.
- Under the RPT Review Procedure, a due diligence working group (“DDWG”) was formed to review the related party transactions prior to the same being submitted to the AC for consideration. The AC will subsequently review the related party transactions and submit its recommendation to the respective Board of the OEs for consideration.
- The AC also reviews the RPT Review Procedure on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including Recurrent Transactions in a timely and orderly manner.

#### **Underwriting and reinsurance**

- The insurance OEs employ high standards in their respective underwriting process. This includes among others, risk segmentation and selection, setting adequate pricing and terms and conditions, setting of right retention limit and adequate reinsurance protection.
- Underwriting authority is controlled centrally at the Head Office level. Reinsurance is in place primarily to ensure that no single loss or aggregation of losses arising from a single event will have an adverse financial impact on the Group. Reinsurers selection is guided by the guidelines issued by the regulator and the Allianz SE Group. Reinsurance needs are reviewed annually in respect of reinsurance treaties and on case to case basis on facultative arrangements.

#### **Financial control procedures**

- Financial control procedures are put in place and are documented in the procedural workflows of each business unit. These workflows are subject to reviews and improvements to reflect changing risks and process enhancement as and when required.

#### **Investment**

- The Investment Committee of the insurance OEs are responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Investment Department is responsible for managing the investment functions of the Group.
- The Group has in place the Group Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure that the Group’s interests prevail over the personal interests of the employees.
- The investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment limits are monitored monthly to ensure compliance with the investment limits as specified in the Risk Based Capital Framework for Insurers issued by BNM.
- The investment performance and bonds exposure reports are amongst the reports submitted to the Investment Committee of the insurance OEs for review at its quarterly meetings.

#### **Internal Capital Adequacy Assessment Process (“ICAAP”)**

- ICAAP is an overall process where all insurance OEs are required to adopt to ensure that they have adequate capital to meet their capital requirements that reflects their own risk profile on an on-going basis. This formal assessment will be conducted at least on an annual basis based on its annual business plans, business strategy and appetite. Its results will be reported to the respective Board of the OEs.

#### **Code of Conduct for Business Ethics and Compliance (“COC”)**

- Every employee is required to attest on an annual basis that they understand and comply with the Allianz SE Group’s COC. The COC among others, is essential in promoting ethical conduct within the Group and encompasses non-disclosure of the Group’s information, accountability and areas on potential conflict of interest.



## Statement on Risk Management and Internal Control

### Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT")

- The Group has in place internal policies and procedures relating to AML/CFT to prevent and detect money laundering and terrorism financing activities. In life insurance OE, these include customer due diligence, screening against sanctions list and suspicious transaction reporting to the Compliance Department whereas in general insurance OE, sanctions list screening procedures are in place and any suspicious transactions are reported to the Compliance Department. In respect of education, staff and agents of life insurance OE are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.

### Product development

- The insurance OEs have each in place a Product Development Management Policy ("PDM Policy") which sets out the policies and procedures on product development in accordance with the requirements of the Guideline on Introduction of New Products by Insurers and Takaful Operators (BNM/RH/STD 029-10) issued by BNM ("BNM Product Guidelines").
- The PDM Policy aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The PDM Policy will also assist to ensure that the products developed and marketed by the respective insurance OEs are appropriate to the needs, resources and financial capability of the targeted consumer segments.
- The on-going product risk management is embedded within the risk management framework of the Group.

### Whistleblowing and Anti-Fraud

- The oversight of whistleblowing and fraud matters of the Group is performed by the Company's Integrity Committee ("InC"). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.
- The Group has adopted the Group Anti-Fraud Policy and the Group Whistleblowing Policies and Procedures to address fraud and whistleblowing issues respectively. The Group Anti-Fraud Policy defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The Group Whistleblowing Policies and

Procedures on the other hand, describe the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.

- In respect of whistleblowing, the Group has an established whistleblowing mechanism in place to enable anonymous and non-anonymous reporting of any breach of the COC, any laws, regulations, orders or any internal rules. These whistleblowing cases are assessed confidentially by the InC to determine the validity and appropriate actions to be taken.
- The InC reports its findings and recommendations to the AC.

### Anti-corruption

- The Group has adopted Allianz SE Group's Anti-Corruption Policy which serves to outline the Group's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.
- The Vendor Integrity Screening process which is a part of the Allianz SE Group's Anti-Corruption Programme is aimed at ensuring an integrity based due diligence before any third party vendor is engaged. The screening contains a self-assessment section which among others includes questions on anti-corruption to be answered by the potential vendor and a risk evaluation to be completed by the relevant staff/department in charge. Only those vendors whose screening does not reveal any negative findings will be engaged.

### Employees

- All staff are required to make an annual declaration that they fulfilled the minimum criteria of "A Fit and Proper Person" as prescribed in Section 59(1), (2) and (3) of the Financial Services Act, 2013. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-
  - (i) Related Party Transaction Declaration;
  - (ii) Disclosure of Data;
  - (iii) Conflict of Interest;
  - (iv) Code of Conduct for Business Ethics and Compliance;
  - (v) IT Security Policy and Guideline e-Awareness Declaration;

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- (vi) Anti-Corruption Policy;
- (vii) Anti-Fraud Awareness Declaration; and
- (viii) Dealing with Government Clients Declaration (for employees under Sales Department only).

### Sales Policy and Sales Agent Code of Conduct

- The Group’s insurance intermediaries are guided by the Sales Policy and Sales Agent Code of Conduct in order to promote professional sales conduct of intermediaries representing the Group. The Group has established an Ethics and Compliance Committee in insurance OEs to deal with intermediary behaviour that are contrary to the Sales Policy and Sales Agent Code of Conduct.
- In addition, agents of the insurance OEs are also required to comply with the Code of Ethics and Conduct imposed by the respective insurance associations.
- All internal control deficiencies or breaches related to Sales Policy and Sales Agent Code of Conduct are reported to the respective Senior Management Committees of the insurance OEs together with corrective measures.

### Agent Sales Compliance Disciplinary Policy

- As part of measures to improve uniformity in disciplining the agency force, insurance OEs have each formalised a Sales Compliance Disciplinary Policy detailing definition of types of offences/misconduct and the associated recommended disciplinary actions.

### Business Continuity Management

- Business Continuity Plans for all OEs have been formulated to ascertain that the Group will recover and restore any interrupted critical functions within a predetermined time upon the occurrence of any disastrous events.
- The testing for Business Continuity Plan for all critical business functions is conducted at least once a year whilst the testing for Disaster Recovery Plan test for all main application systems is conducted at least twice a year.

### Information system

- The insurance OEs complied with the BNM’s Guidelines on Management of IT Environment (GPIS 1) and Guidelines on Internet Insurance (Consolidated) (BNM/RH/GL/003-5) by establishing a reliable information

security system and a Group Information Security Policy and Standard (“Policy”) to protect information confidentiality, integrity, availability and non repudiation. All employees are required to strictly abide by and comply with the Policy.

- The IT Steering Committee of the insurance OEs is established and responsible for the overall strategic deployment of IT in tandem with the business objectives, establishing effective IT plans, recommending to the respective Senior Management Committees for approval on IT related expenditure and monitoring the progress of approved IT projects.

### Data management framework

- The Group Data Management Framework (“DMF”) has been in place to establish and maintain a sound data management and management information system framework. The objective of the DMF is to manage data and disseminate information effectively and efficiently and to maximise the effective use and value of data assets. In addition, the DMF aims to ensure the integrity of data assets by preventing unauthorised or inappropriate use of data and information.

### Data Privacy

- The Allianz Standard for Data Protection and Privacy (“ASDP”) adopted by the Group ensures compliance with the Malaysian Personal Data Protection Act, 2010 (“PDPA”) and is in line with the Code of Practice on Personal Data Protection for Insurance and Takaful in Malaysia. The Data Privacy Management System (“DPMS”), a requirement under the ASDP, includes conducting Privacy Impact Assessments (“PIA”) for new processes that involve handling of personal data. The objectives of the DPMS are to ensure compliance with legislative and regulatory obligations pertaining to data privacy and securing the trust of customers and business partners in relation to the handling of personal data which ultimately would increase confidence and trust in the Allianz brand.

### Reputation Risk Management

- The Group has adopted Allianz SE Group’s Allianz Standard for Reputational Risk and Issues Management which establishes a core set of principles and processes for the management of reputational risks and reputational issues within the Group. The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the Group’s reputational risk strategy and Environmental,

## Statement on Risk Management and Internal Control

Social and Governance approach. Indirect reputational risks are managed through the top risk assessment and risk and control self-assessment processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

### Human Resources Policies and Procedures

- The Group has established proper policies and procedures on human resource management, including recruitment, learning and development, talent development, performance management and employee benefits. These policies and procedures are reviewed as and when the need arises and changes effected are communicated to relevant employees via-email. The policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.
- The Group aims to fill open positions with internal employees who have the relevant knowledge, skills and aspiration to learn a new area. In the event that these positions cannot be filled by internal employees, the process of recruiting external candidates will begin. Candidates are sought from various sources and go through a selection process which comprises interviews, job-specific assessments as well as background and reference checks.
- The Group aims to equip employees with the relevant knowledge, skills and competencies required for their roles and responsibilities through structured learning and development programmes. These include a combination of classroom training, on-the-job attachment, professional examinations, project assignments and mentorship programme. Employees are encouraged to embrace the culture of continuous learning for personal competency and career development.
- Talent development is another key focus area of the Group. As part of on-going efforts in promoting a culture of high performance and in retaining key staff, the Group has embarked on a systematic approach for identifying and developing these talents. Key talent and high potentials are invited to attend a Development Centre to better gauge their strengths, areas for development and career aspiration. Through the Career Development Conference, the Management team is updated on the career and development progress of these individuals.

## REVIEW OF STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2017, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

RPG 5 (Revised 2015) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion made by the Board of Directors and management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the annual report will, in fact, remedy the problems.

## CONCLUSION

Based on Board review through the various Board Committees, external auditors' review and the assurance and reports from the Management, the Board is of the view that the system of internal control and risk management of the Group is sound and sufficient to safeguard shareholders' investments and the Group's assets.

This Statement is made in accordance with the resolution of the Board dated 26 March 2018.

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# Audit Committee Report

## COMPOSITION

The Audit Committee (“AC”) of the Company consists of 3 members, all of whom are Non-Executive Directors with the majority being Independent Directors. The composition of the AC as at the date of this report is as follows:-

Members	Designation
Dato’ Dr. Thillainathan A/L Ramasamy (Chairman)	Independent Non-Executive Director
Foo San Kan (Member)	Non-Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Member)	Independent Non-Executive Director

The members of AC are appointed by the Board of Directors (“Board”), after taking into consideration the recommendations of the Nomination and Remuneration Committee (“NRC”) of the Company. In determining the appropriate size and composition of AC, the Board takes into consideration the necessary mix of skills and experience required for AC to effectively discharge its responsibilities. The term of office and performance of the AC and its members will be reviewed by the NRC annually to determine whether the AC and its members have carried out their duties in accordance with the terms of reference (“TOR”) of AC.

The insurance subsidiaries of the Company have formally used the services of AC since 1 January 2008.

The Chairman of AC, Dato’ Dr. Thillainathan A/L Ramasamy, is a Fellow of the Institute of Bankers Malaysia and has many years of working experience in the fields of finance, banking as well as economics.

AC composition meets the requirement of paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

## INDEPENDENCE OF AC MEMBERS

There is no AC member employed in an executive position in the Company and its insurance subsidiaries (collectively referred to as “Group”) or have a relationship which in the opinion of the Board will interfere with the exercise of independent judgment in carrying out the functions of AC. In addition, there is no AC member directly responsible for, or part of any committee involved in, the management functions of the Group.

## ANNUAL PERFORMANCE ASSESSMENT

The performance evaluation of AC as a whole and AC member individually for the financial year ended 31 December 2017 were carried out by the NRC in early 2018. The NRC’s observations were subsequently presented to the Board for review. The Board was satisfied that AC and its members have discharged their duties and responsibilities satisfactorily in accordance with the AC’s TOR.

## AUTHORITY


AC has the authority to investigate any matter within its TOR and have unlimited access to all information and documents relevant to its activities. This includes access to resources; having direct communication channels with the external and internal auditors as well as the employees and agents of the Group; authority to obtain independent professional advice; and being able to convene meetings with the external auditors and internal auditors without the presence of the Management, whenever deemed necessary.

AC is regularly updated on audit matters and notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by the Management or the Internal Audit function and whistleblowing communications received. Fraud and irregularities will be referred to the Integrity Committee or Internal Audit function, where applicable, for investigation while whistleblowing communication will be referred to the Integrity Committee for investigation.

## Audit Committee Report

The Chairman of the AC engaged with the Senior Management, the Head of Internal Audit and External Auditors on a continuous basis to be kept informed of matters affecting the Group.

### ROLES OF THE AC

	<p>AC is charged with the responsibilities of assisting the respective Boards of the Group in its oversight, amongst others, as follows:-</p> <ul style="list-style-type: none"> <li>• support the Board in ensuring that there is a reliable and transparent financial reporting process;</li> <li>• monitor and evaluate the performance and effectiveness of the external and internal audit functions;</li> <li>• assess the internal control environment; and</li> <li>• review and report to the Board of conflict of interest situations and related party transactions (“RPTs”).</li> </ul>
<p>AC’s TOR is incorporated in the Board Charter, which is available in the Company’s website at <a href="http://allianz.com.my/corporate-profile">allianz.com.my/corporate-profile</a> (under the Corporate Governance section)</p>	<p>AC’s TOR had been revised to reflect the latest requirements from MMLR, the Policy Document on Corporate Governance issued by Bank Negara Malaysia (“BNM”) and the Malaysian Code on Corporate Governance issued by Securities Commission Malaysia.</p>

### MEETINGS AND ATTENDANCE OF MEETINGS

The AC meetings for each year are scheduled in advance prior to the end of the year and circulated to AC members, before the beginning of each year.

The AC meetings are conducted in accordance with a structured agenda approved by the Chairman of AC. The agenda together with the minutes of AC meeting and meeting papers are sent to AC members at least seven (7) days prior to each AC meeting to accord sufficient time for the AC members to review and consider issues to be discussed at the AC meeting. Urgent matters may be tabled for AC’s deliberation under a supplemental agenda. The meeting papers prepared in accordance with a prescribed format aims to provide clear, comprehensive and concise information to the AC members to facilitate their deliberation and decision making.

The Chief Executive Officers of the Company and its subsidiaries, the Chief Financial Officer/Head of Finance of the Company and its subsidiaries and the Head of Internal Audit Department (“IAD”) are permanent invitees to the AC meetings, to assist in the deliberation of matters within their purview. Other members of the Senior Management are also invited to AC meetings to facilitate discussion on specific agenda items under their purview.

The meetings of the AC are transparent, with all proceedings and actions being recorded and documented. AC member who has a direct or deemed interest in a proposal or subject matter presented at the AC meetings shall abstain from deliberation and voting on the said proposal or subject matter. The Chairman of the AC reports to the Boards of the Company and its subsidiaries on relevant matters deliberated during the AC Meetings. The minutes of AC, upon confirmation, are presented to the respective Boards for information.

There were 5 AC meetings held during the financial year ended 31 December 2017. The attendance of the respective AC members during the financial year ended 31 December 2017 was as follows:-

Name of Members	No. of AC Meetings held	No. of AC Meetings Attended
Dato’ Dr. Thillainathan A/L Ramasamy	5	5
Foo San Kan	5	5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	5

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## SUMMARY OF ACTIVITIES/WORKS

The subject matters that have been discussed by the AC during the financial year ended 31 December 2017 were as follows:-

- (i) Financial reporting;
- (ii) Internal Audit related matters;
- (iii) External Auditors related matters;
- (iv) RPTs; and
- (v) Integrity and Ethics related matters.

The following were the summary of works carried out by AC during the financial year ended 31 December 2017:-

### Financial Matters

- (a) AC reviewed and recommended the following for the approvals of the respective Boards of the Group:-
  - (i) The Audited Financial Statements and Directors' Reports ("AFS") of the Company for the financial year ended 31 December 2016 ("FYE 2016").
  - (ii) The audited and unaudited consolidated quarterly reports of the Group.
  - (iii) The AFS and AFS for Investment-Linked ("IL") Funds for the FYE 2016 of the life insurance subsidiary.
  - (iv) The AFS for the FYE 2016 and the Interim Financial Statements for the financial period ended 30 September 2017 ("Interim Review") of the general insurance subsidiary.
  - (v) The unaudited Interim Financial Statements for the half-year ended 30 June 2017 of the insurance subsidiaries.
  - (vi) The audited annual return for the FYE 2016 of the insurance subsidiaries.

The review, covers among others, significant and unusual events, the going concern assumption, compliance with accounting standards and other regulatory requirements, material litigation, profit contribution by insurance operations and prospects of the Group.

The Chief Financial Officer/Head of Finance have given their assurance to AC that the financial statements of the respective companies were prepared on a going concern basis and complied with relevant statutory and regulatory requirements.

KPMG PLT has given an unqualified opinion on the AFS of the Company and its insurance subsidiaries for FYE 2016 and a clean opinion on the Interim Review of the general insurance subsidiary.

- (b) AC reviewed and recommended for the approvals of the respective Boards of the Group, the Management Representation Letters to the External Auditors in respect of the statutory audits of the Group and AFS for IL Funds for the FYE 2016 of the Company's life insurance subsidiary.

The Management Representation Letters set out the representations made by the respective Boards/ Management on information and/or assumptions presented to External Auditors during the course of their audit, confirming the financial statements have been drawn up to give a true and fair view in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and the requirements of Companies Act 2016, the Financial Services Act 2013 and guidelines/circulars issued by BNM as well as the management's responsibilities for the financial statements.

- (c) AC reviewed and recommended for the approvals of the respective Boards of the Company's insurance subsidiaries, the respective Audited Reporting Forms in relation to Risk-Based Capital Framework for the FYE 2016.
- (d) AC reviewed and recommended for the approval of the Board of the general insurance subsidiary, the Management Representation Letter to the External Auditors in respect of the limited review of the general insurance subsidiary's Interim Review.
- (e) AC reviewed the Statement on Risk Management and Internal Control ("SORMIC") prior to the same being submitted to KPMG PLT for review.

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KPMG PLT had reviewed the SORMIC and concluded that nothing has come to their attention that causes them to believe that the SORMIC, in all material respects has not been prepared in accordance with the relevant disclosure requirements or was factually inaccurate. Following clearance obtained from KPMG PLT, AC recommended the SORMIC for the Board's approval for inclusion in the Annual Report.

AC also reviewed the Management Representation Letter in relation to SORMIC and was satisfied with the contents of the same. AC approved the Management Representation Letter for submission to KPMG PLT.

### Internal Audit Related Matters

- (a) In its oversight over the Internal Audit function, AC had approved the Group's 5-year (2018 – 2022) Internal Audit Plan. The said 5-year Internal Audit Plan is a dynamic plan where the review will be conducted on an annual basis.
- (b) AC reviewed on quarterly basis the progress reports of the Group's Internal Audit Plan 2017 ("2017 Plan") to ensure that the 2017 Plan was on track. AC also discussed the progress reports on various outstanding audit findings. AC noted that 85.4% of the 2017 Plan has been executed and 5 ad hoc audit assignments were carried out in 2017.
- (c) The various Internal Audit Reports and Internal Assessment Reports covering core operations, non-core operations and Information Technology ("IT") were tabled for deliberations at AC meetings. The system of internal control over the audited areas including management oversight were found to be adequate or with moderate shortcomings. Lapses/ shortcomings reflected in the reports were deemed not significant or material and hence did not impact the effectiveness of the Group's overall internal control environment. AC took note that rectification measures were taken to address the audit concerns raised. Where appropriate, AC provided its opinions and directives to improve the existing processes and procedures.
- (d) AC reviewed the Independent Validation Reports for Perbadanan Insurans Deposit Malaysia ("PIDM") Differential Levy System ("DLS") Framework and Return on Calculation of Premiums ("RCP") for the period from 1 January 2016 to 31 December 2016 ("Validation Reports"), prepared by the Head of IAD and External Auditors for the Company's insurance subsidiaries. Both the Head of IAD and External Auditors had given a clean opinion on their respective Validation Reports on the insurance subsidiaries. AC approved the Validation Reports prepared by the Head of IAD and the Chairman of the AC was authorised to sign the Validation Reports for and on behalf of the AC.
- AC also reviewed the notification from PIDM in respect of the DLS score, levy category and annual levy for assessment year 2017 for the insurance subsidiaries.
- (e) AC reviewed the results of the self-assessment review of the IAD in 2017. The internal audit self assessment review is conducted on an annual basis to evaluate the internal audit activities' efficiency, effectiveness and identifies opportunities for improvement. The overall performance of the IAD was rated Improvement Needed.
- (f) AC reviewed the resource requirements of IAD including the adequacy and competency to ensure that the quality of the resources are optimal for the IAD to carry out its functions effectively.
- (g) In March 2017, AC evaluated the 2016 performance of the Head of IAD and submitted its recommendations to the NRC and the respective Boards for review. AC also reviewed the 2017 target letter of the Head of IAD and recommended the same for the approval of the NRC and the respective Boards.
- (h) AC noted the annual declaration of independence by the Head of IAD in respect of the internal audit activities carried out in 2017. The Head of IAD declared that the internal audit activity carried out complied with the independence requirements of the Institute of Internal Auditors and the Allianz Group Standards and there was no contravention of any applicable code of professional conduct in relation to the audit activities.

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- (i) The Head of IAD had on 27 March 2017 and 21 November 2017 met with AC without the presence of the Management to discuss on key internal controls and internal audit matters. AC also reviewed together with the Head of IAD the resources, staffing and succession planning of the IAD.

## External Auditors Related Matters

### (A) Audit plan, findings and recommendations

During the financial year 2017, the External Auditors attended 3 AC Meetings and reviewed the following matters with the AC:-

- (a) the 2016 final audit findings of the Group, covered, significant risk areas, adjustment arising from the audit, control deficiencies and fraud reporting. The External Auditors have not alerted AC so far on any material concern/weaknesses on internal controls of the Group.
- (b) the Management Letters issued by External Auditors were in respect of the statutory audit of the insurance subsidiaries for the FYE 2016 and the respective Management's responses in relation thereto. AC was satisfied with the responses provided by the respective Management and recommended the same to the respective Boards of the insurance subsidiaries for approval.
- (c) the External Audit Plan of the Group for the financial year ended 2017 detailed amongst others, the engagement team, audit materiality, audit scope, audit methodology, audit timeline, areas that could be covered under the key audit matters, IT review plan, audit focus areas, planned audit approach and the new MFRS.
- (d) the interim audit findings raised by the External Auditors in their Management Letter to the general insurance subsidiary and the Management's responses to the audit findings. AC was satisfied with the Management's responses and recommended the same for the approval of the general insurance subsidiary Board.

Two (2) private discussions were held between AC and the External Auditors without the presence of the Management on 23 February 2017 and 21 November 2017 to allow External Auditors to express concerns, problems and reservations, if any, arising from the financial audits.

The External Auditors complimented the Management of the Group for their professionalism and cooperation extended to them during the course of their audit.

### (B) Re-appointment of External Auditors

- (a) In line with AC's responsibility to review and appoint the External Auditors, AC reviewed the performance assessment of KPMG PLT including its engagement partners and concurring partners, based on the criteria prescribed by the relevant authorities, amongst others, KPMG PLT's independence, the adequacy of its experience and resources, the level of knowledge, capabilities, experience and quality of previous work, level of engagement, ability to perform the audit work within the agreed timeframe, adequacy in audit coverage, effectiveness in planning and conduct of audit, ability to provide constructive observations and independence (collectively referred to as "Evaluation Criteria").

In February 2017, AC undertook an annual assessment on the performance of KPMG PLT. The assessment process involved obtaining inputs from the Chief Financial Officer/Head of Finance and the Finance Team of the Group, being the main contact point of the Group with KPMG PLT, on the performance of KPMG PLT based on the Evaluation Criteria including the response time of KPMG PLT audit team on issues raised by the Management. The Chief Financial Officer/Head of Finance and the Finance Team were satisfied with the works delivered by KPMG PLT and recommended the re-appointment of KPMG PLT as External Auditors for the financial year 2017 based on the following rationales:-

- (i) KPMG PLT is familiar with the local insurance industry and they are also the External Auditors of the Allianz SE Group ("Allianz Group");

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- (ii) KPMG PLT is able to provide effective co-ordination of audits conducted between the companies within the Group as well as between the Group and the Allianz Group;
- (iii) KPMG PLT met the minimum criteria, as prescribed by BNM; and
- (iv) KPMG PLT completed the Group's 2016 statutory audit satisfactorily.

During the financial year 2017, KPMG PLT made a declaration to the Group that KPMG PLT and its network firms, the engagement partners, engagement quality control reviewer and members of the engagement team in the audit were and had been, independent for the purpose of the audit in accordance with the terms of the relevant professional and regulatory requirements.

AC deliberated on the evaluation and recommendation of the Chief Financial Officer/ Head of Finance and the Finance Team and undertook evaluation on the performance of KPMG PLT (including of its engagement partners and concurring partners) based on the Evaluation Criteria and the private meetings held with the engagement partners and the audit team. AC concurred with the Management's recommendation and justification to re-appoint KPMG PLT as the External Auditors for the Group and recommended the re-appointment of KPMG PLT as the External Auditors for the Group for the financial year 2017 for the respective Boards' approval.

AC also ensures that there is a rotation on the engagement partner and the concurring partner at least once in every 5 years ("Rotation"). During the financial year, based on the Rotation, the engagement partner of the general insurance subsidiary is required to relinquish his position as engagement partner for the financial year 2017. AC reviewed the proposed new engagement partner for the general insurance subsidiary for the financial year 2017 ("New Engagement Partner") recommended by KPMG PLT. AC also reviewed the resume of the New Engagement Partner, the engagement partner for the Company and life insurance subsidiary and the concurring partner of the Group

together with their respective statutory declarations pertaining to their compliance with the BNM's appointment criteria for auditors. AC was satisfied that the engagement partner, the New Engagement Partner and the concurring partner met the qualification criteria as prescribed by BNM and recommended the re-appointment of engagement partner and the concurring partner, and the appointment of the New Engagement Partner for the respective Boards' approval.

During the financial year, the Company was notified by its holding company/major shareholder, Allianz SE, that there will be a change of the External Auditors for the Allianz Group, in order to comply with the European Union Regulation's requirement on mandatory rotation of auditors in every 10 years. PricewaterhouseCoopers ("PwC") has been selected as the new External Auditors for Allianz SE for the financial year 2018. Allianz SE had issued to the Company, Notice of Nomination of PwC PLT as External Auditors of the Company.

In line with the global change in External Auditors of Allianz Group, the Group proposed to appoint PwC PLT as their External Auditors for the financial year 2018. AC reviewed the proposed appointment of PwC PLT (including of engagement partners and concurring partner) as External Auditors for the Group for the financial year 2018 and concluded that PwC PLT met all the evaluation criteria as prescribed by the relevant authorities. The AC recommended the proposed appointment of PwC PLT for the respective Boards' consideration.

AC reviewed and approved the transition approach and activities for audit readiness for the financial year 2018 presented by PwC PLT.

The proposed appointment of PwC PLT as External Auditors in place of retiring External Auditors, KPMG PLT will be tabled at the 44th Annual General Meeting of the Company for the shareholders' approval.

- (b) AC reviewed the scope of works and the audit fees of the Group for the financial year 2017 ("2017 Audit Fees") and recommended the same for the respective Boards' consideration.

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- (c) The 2017 Audit Fees represents a 4.0% increase over the audit fees for the FYE 2016. The audit fees for the financial year 2017 for the Company and the Group are as set out below:-

	Group RM'000	Company RM'000
Statutory Audit Fees	860	159

- (d) AC also reviewed and recommended for the approvals of the respective Boards of the Group:-
- (i) the re-appointment of KPMG PLT to review the SORMIC of the Company for the financial year 2017;
  - (ii) the re-appointment of KPMG PLT to provide professional services in relation to the issuance of Validation Report to PIDM for the insurance subsidiaries for the year of assessment 2018;
  - (iii) the engagement of KPMG PLT to perform Interim Review on the general insurance subsidiary;
  - (iv) the engagement of KPMG PLT and KPMG Tax Services Sdn Bhd ("KPMG Tax") for professional services to validate and certify the intercompany charges paid by the insurance subsidiaries for the financial years 2016 and 2017; and
  - (v) the KPMG's engagement letters in relation to the above appointments.

### (C) Provision of Non-Audit Services by the External Auditors

AC is required to ensure proper check and balances are in place so that provision of non-audit services by the External Auditors do not interfere with their exercise of independent judgment. In this regard, the Policy on Audit and Non-Audit Services Provided by External Auditor ("Policy") was put in place to govern the professional relationship between the Group and its External Auditors in relation to audit and non-audit services. The Policy aims to ensure that the independence and objectivity of the External Auditors are not compromised. The Policy is available on the Company's website at [allianz.com.my/corporate-profile](http://allianz.com.my/corporate-profile) (under the Corporate Governance section).

During the year, AC recommended the below mentioned non-audit services and their respective fees for the respective Boards' approval ("Non-Audit Services & Fees"). The Non-Audit Services & Fees were approved by the respective Boards of the Group during the financial year 2017:-

Non-Audit Fees	Subsidiaries RM'000	Company RM'000
• review of interim financial information for the Interim Review for the general insurance subsidiary (by KPMG PLT)	53	-
• other regulatory related fee (PIDM agreed-upon procedures) for the insurance subsidiaries (by KPMG PLT)	16	-
• review of SORMIC (by KPMG PLT)	-	10
• perform an agreed-upon procedures engagement in relation to validate and certify the inter-company charges paid to related parties (by KPMG PLT)	70	-
• perform review on the Transfer Pricing Report for the financial year 2016 (by KPMG Tax)	70	-
• advisory services in relation to gap assessment analysis for IFRS 17 and IFRS 9 for the insurance subsidiaries (by KPMG PLT)	153	-

The total non-audit fees of the Group for the financial year 2017 amounted to RM372,000.



### Related Party Transactions

- (a) During the financial year, AC reviewed and deliberated on all new and existing RPTs and recurrent RPTs (“RRPTs”) for the ensuing year and recommended to the Board for consideration.

All RPTs and RRPTs were reviewed by the Shareholders’ Mandate Due Diligence Working Group (“DDWG”) prior to the said transactions being presented to AC for consideration. The DDWG reviewed all RPTs and RRPTs and submitted its recommendations to AC based on the following criteria:-

- (i) transaction prices or contract rates;
- (ii) terms and conditions of the contract;
- (iii) efficiency, quality, level of service and/or expertise and/or technical support provided;
- (iv) benefits arising from the services/products;
- (v) satisfactory past year experience and working relationship; and
- (vi) in respect of the insurance activities, pursuant to reinsurance, underwriting and treaty arrangements entered into between relevant parties.

AC reviewed the RPTs/RRPTs and submitted its recommendation to the respective Boards of the Group for consideration. The AC also reviewed and recommended the announcement in respect of the renewal of Shareholders’ Mandate for RRPTs, for the Board’s approval.

AC member who has a direct or deemed interest in the RRPT presented at AC had abstained from deliberation and voting on the said RRPT.

AC also reviewed the list of RPTs entered into by the insurance subsidiaries for the periods from 1 January 2016 to 31 December 2016 and from 1 January 2017 to 30 June 2017 which were submitted to BNM pursuant to BNM’s requirements.

- (b) During the financial year, AC also reviewed the review procedures for RRPTs (“Review Procedures”) to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify RPTs/RRPTs in a timely and orderly manner. AC was of the view that the Review Procedures are sufficient to ensure that the RPTs/RRPTs are not

more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company, and the Group has in place adequate procedures and processes to monitor, track and identify RPTs/RRPTs in a timely and orderly manner. In view thereof, AC approved the AC Statement in respect of the Review Procedures for inclusion in the in Circular to shareholders in relation to the renewal of Shareholders’ Mandate for RRPTs.

- (c) AC reviewed the disclosure of RRPTs outstanding amount due from related parties (“Outstanding Amount”) including the Management’s action plan to collect the Outstanding Amount and the Management’s view on the recoverability of the Outstanding Amount (collectively referred to as the “Outstanding Amount Disclosure”) and agreed with the Management’s view and action plan in relation thereto. AC having satisfied that the Outstanding Amount Disclosure met the disclosure requirements of Bursa Securities, resolved that the same be recommended for the Board’s approval.
- (d) In ensuring that RPTs/RRPTs have been carefully reviewed, AC reviewed the disclosures of the directorships and shareholdings held by Directors and persons connected with them on half yearly basis or when the changes occurred.

### Integrity and Ethics

- (a) The oversight of whistleblowing and fraud matters of the Group is performed by the Company’s Integrity Committee. The Integrity Committee coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents and reports its findings and recommendation to AC.
- (b) AC reviewed the findings and recommendations of the Integrity Committee on the updates of reported whistleblowing cases and new whistleblowing cases. There were no material issues reported. AC approved the actions to be taken and the closure of cases as recommended by the Integrity Committee.
- (c) AC reviewed the findings and recommendations by the Integrity Committee on the updates on reported fraud cases and new fraud cases discovered by the insurance subsidiaries. There were no fraud cases of material or significant impact detected. AC approved

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the actions to be taken and the closure of cases as recommended by the Integrity Committee.

- (d) AC reviewed the gift register of the Group on a quarterly basis to ensure that the following policies are adhered to in a uniform and consistent manner:-
- (i) Allianz Group Code of Conduct for Business Ethics and Compliance;
  - (ii) Allianz Group Anti-Corruption Policy;
  - (iii) Allianz Group Gifts and Entertainment Policy; and
  - (iv) Allianz Group Compliance Guidance relating to Allianz Gifts and Entertainment Policy: Sponsoring and Hospitality.

There were no material concerns reported.

During the financial year, AC also reviewed the Reasonable Assurance Report prepared by KPMG AG Wirtschaftsprüfungsgesellschaft ("KPMG AG") with regard to the Solvency II review of the Company's insurance subsidiaries ("Solvency II Review"). AC noted the KPMG AG's audit findings and the recommendations with regard to the Solvency II Review. No significant findings were noted and all findings had been remediated by the Management of the insurance subsidiaries.

## Others

- (a) AC reviewed and recommended for the approval of the Board, the Chairman's Statement, Management Discussion and Analysis, AC Report and the Statement on Corporate Governance for inclusion in the Annual Report of the Company for the FYE 2016.
- (b) AC reviewed and deliberated on the BNM's 2016 supervisory review observations of the insurance subsidiaries and the Management's responses and remediation actions, prior to the same being presented to the respective Boards. AC also monitored the remedial measures to address the findings highlighted in BNM's 2016 supervisory review on a quarterly basis.
- (c) AC reviewed and deliberated on the supervisory assessment by BNM on the general insurance subsidiary's motor claims and the Management's responses and action plans in relation thereto. AC

also monitored the remedial measures to address the findings highlighted in the said supervisory assessment on quarterly basis.

- (d) AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Accounting and Reporting Policy version 4.0 ("GARP"). GARP defines the framework for the provision of reliable and high quality financial information by Allianz Group, and shall thus, facilitate the implementation of regulatory and accounting requirements. It aims to minimise any Accounting and Reporting risk to protect Allianz Group's financial stability and reputation. Hence, the GARP outlines the principles for Accounting and Reporting functions and processes in the Allianz Group and sets the related governance structure. A gap analysis was performed and there were no material gaps or applications that require adaptation.
- (e) AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Audit Policy version 6.0 ("AGAP"). AGAP aims to ensure that the organisation and work of the Allianz Group's Internal Audit functions worldwide adhere to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Allianz Group's goals is ensured.
- (f) AC deliberated on the progress of investigation by Malaysia Competition Commission ("MyCC") in respect of the allegation by Federation of Automobile Workshop Owners' Association of Malaysia on Persatuan Insuran Am Malaysia and its members, including the general insurance subsidiary of the Company.
- (g) AC reviewed and recommended for the approval of the Board of the general insurance subsidiary, the renewal of professional indemnity insurance by PwC Malaysia from the general insurance subsidiary ("PII"). AC noted that the PII would not impair the independence of PwC Malaysia and would not infringe any laws and regulations.
- (h) AC reviewed and recommended for the approval of the respective Boards of the Group, the revision to the AMB Group's Internal Investigation Protocol version 2.0.

## Audit Committee Report

### TRAINING

During the financial year ended 31 December 2017, AC members attended various conferences, seminars and training programmes and the details of the conferences, seminars and training are reported under the Corporate Governance Report.

A total of 43 internal audit assignments and 5 ad hoc assessments were carried out during the financial year 2017. A total of 49 internal audit and assessment reports generated during the financial year ended 31 December 2017 were reviewed and deliberated by AC. There were no significant or material audit findings detected during the financial year ended 31 December 2017.

### INTERNAL AUDIT FUNCTION

The internal audit function of the Company is carried out by the IAD, which is independent of business operations. The IAD reports directly to AC and to the Chief Executive Officer administratively. The primary objective of the IAD is to assist the Management, AC and the Boards of the Group in the effective discharge of their responsibilities. This is performed through the independent assessment and appraisal of the internal controls and the evaluation of the effectiveness of risk management system and corporate governance process of the Group to ensure that organisational and management controls are adequate and effective, in line with the Group's goals. It includes promoting and recommending cost effective controls for safeguarding the Group's assets and minimising the opportunities for error and fraud.

During the financial year ended 31 December 2017, the IAD carried out its duties in accordance with its Audit Charter and 2017 Plan. All internal audit reports which incorporated the Management's responses and action plans were tabled for discussion at AC meetings.

2017 Plan was developed based on annual risk assessment and approved by the AC. The identified key audit areas for 2017 encompassed financial operations, underwriting and claims operation, sales operations, operations support, internal and regulatory compliance audit such as Business Continuity Management, Replacement of Policy and IT systems.

These audits and assessment reviews are performed in line with the BNM guidelines with regard to Internal Audit Function, Professional Practice of Internal Auditing set by the Institute of Internal Auditors and other relevant practices or guidelines.

The IAD also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports of the audit observations on remedial measures taken by the Management of the respective companies were tabled at AC Meetings on a quarterly basis for AC's review.

IAD also participated in an advisory consulting role in the development of new process as well as system developments and enhancement where the objective is to add value and improve governance, risk management and controls without assuming management responsibility.

There are a total of 16 internal auditors including the Head of Internal Audit in the IAD. All internal auditors have completed tertiary education in the relevant fields related to the business of the Group.

The total cost incurred by the IAD in discharging the internal audit functions of the Group for the financial year 2017 was RM3.6 million (2016: RM3.1 million).

This AC Report was approved by the Board on 26 March 2018.

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# Nomination and Remuneration Committee Report

## COMPOSITION

The Nomination and Remuneration Committee (“NRC”) of the Company consists of 5 members, all of whom are Non-Executive Directors with the majority being Independent Directors. The composition of the NRC as at the date of this report is as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Non-Independent Non-Executive Director
Foo San Kan (Member)	Non-Independent Non-Executive Director
Dato’ Dr. Thillainathan A/L Ramasamy (Member)	Independent Non-Executive Director
Tunku Zain Al-’Abidin Ibni Tuanku Muhriz (Member)	Independent Non-Executive Director

The NRC is led by Tan Sri Datuk (Dr.) Rafiah Binti Salim. Under the leadership of Tan Sri Datuk (Dr.) Rafiah Binti Salim, the NRC has benefited substantially from her extensive knowledge and experience in legal, academic and human resource fields, nationally and internationally, as well as her various working experiences with financial institution, regulator, government and United Nations.

The NRC under the stewardship of Tan Sri Datuk (Dr.) Rafiah Binti Salim has contributed positively to the effectiveness of the NRC.


As the Chairman of the NRC, Tan Sri Datuk (Dr.) Rafiah Binti Salim is a champion for the cause of gender equality and women’s empowerment. She provided necessary advice to and shared insights with the women employees of the Company and its subsidiaries (collectively referred to as “Group”). She contributed substantially in enhancing the Board performance evaluation procedures and engaged proactively with the human resource function, particularly talent pipeline, succession planning, benefits and remuneration for key personnel and staff of the Group, and continues providing invaluable guidance and support to the human resource function.

The NRC composition meets the requirement of paragraph 15.08A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“MMLR”).

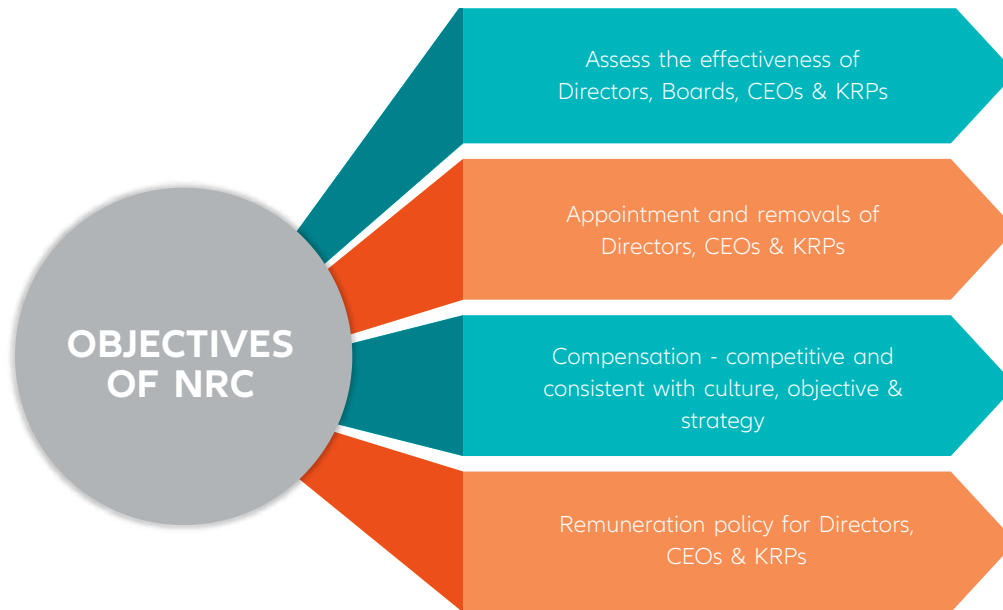
The insurance subsidiaries of the Company have formally used the services of the NRC since 1 January 2008.

## ROLES OF NRC

The NRC is governed by its terms of reference (“TOR”) which was approved by the Board of Directors (“Board”) of the Company. It was formulated based on the requirements of the Malaysian Code of Corporate Governance 2017 (“Code”), the MMLR and the Policy Document on Corporate Governance issued by Bank Negara Malaysia (“BNM”) on 3 August 2016 (“CG Policy”).

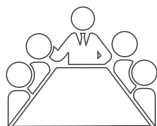
	<p>The primary objectives of the NRC are:-</p> <ul style="list-style-type: none"> <li>(a) to establish a documented formal and transparent procedure for the appointment and removals of Directors, Chief Executive Officers (“CEO(s)”) and Key Responsible Persons (“KRPs”) of the Group;</li> <li>(b) to assess the effectiveness of individual Director, the respective Boards (including various committees of the Board), CEOs and KRPs of the Group on an on-going basis;</li> <li>(c) to provide a formal and transparent procedure for developing a remuneration policy for Directors, CEOs, KRPs; and</li> <li>(d) to ensure that the compensation is competitive and consistent with the culture, objective and strategy of the Group.</li> </ul>
<p>The NRC’s TOR is incorporated in the Board Charter, which is available on the Company’s website at <a href="http://allianz.com.my/corporate-profile">allianz.com.my/corporate-profile</a> (under the Corporate Governance section)</p>	

## Nomination and Remuneration Committee Report



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### NOMINATION AND APPOINTMENT OF DIRECTORS



The Board nomination and appointment of Directors is a vital process as it determines the composition and quality of the Board's capacity and competency. The NRC is entrusted by the Board to review candidates for appointment to the Board.

The NRC in making its recommendation on candidates for directorship will consider the candidate's:-

- (a) skills, knowledge, competencies, expertise and experience;
- (b) professionalism;
- (c) integrity;
- (d) commitment, contribution and performance; and
- (e) in the case of candidate for the position of Independent Non-Executive Director, the NRC will also evaluate the candidate's ability to discharge such responsibilities/ functions as expected from an Independent Non-Executive Director.

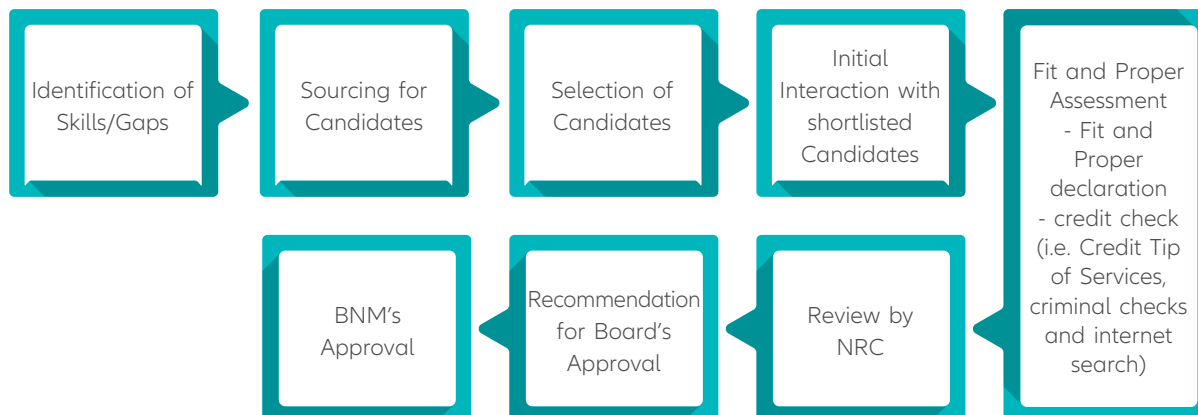
All appointments of Board members are subject to the evaluation by the NRC and approved by the Board. For the insurance subsidiaries of the Company, the appointment of Directors shall be subject to the prior approval of BNM pursuant to Section 54(2) of the Financial Services Act 2013.

The Board leverages on the Directors' network, shareholders' recommendation and industry database such as the Directors Register, a joint initiative by Financial Institutions Directors' Education ("FIDE") Forum, BNM, Perbadanan Insurans Deposit Malaysia and LeadWomen Sdn Bhd, a Malaysian owned consulting company focused on developing and advancing women leaders in Asia, to source for potential candidates for appointment to the Board.

In the effort to promote Board diversity, the NRC has taken steps to ensure that women candidates are sought and considered in its recruitment exercise for appointment of new Directors to the Board.



The Group is guided by the following process and procedures for nomination of new candidates:-



## BOARD AND DIRECTORS' PERFORMANCE EVALUATION

The NRC conducts an annual assessment of the performance and effectiveness of the Board, Board Committees and the contribution by each Director to the effectiveness of the Board and Board Committees.

The following performance evaluation processes were established to evaluate the performance of the Board, individual Directors, Board Committees and their members:-

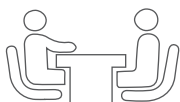
### Annual Performance Evaluation on the Board, evaluated by peers



Covered areas, among others:-

- Roles and responsibilities
- Conformance and compliance
- Stakeholder relationships
- Performance management

### Annual Performance Evaluation on Individual Directors, evaluated by peers



Covered areas, among others:-

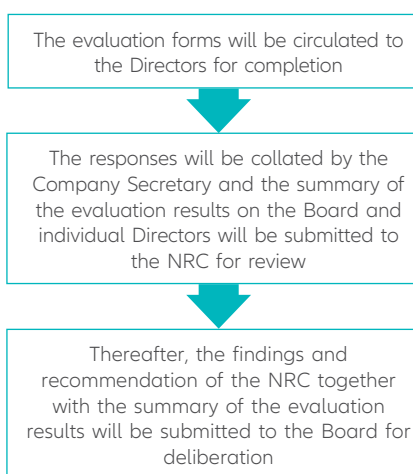
- Directors' compliance with prescriptive requirements imposed by regulators
- Participation in Board and Board Committees
- Contribution to interaction
- Quality of input
- Understanding of role

### Annual Performance Evaluation on Boards Committees and their members, evaluated by NRC



Covered areas, among others:-

- Composition
- Quality of inputs
- Level of experience
- Contribution and performance
- Timely reporting



The evaluation forms will be circulated to the NRC members for completion

The responses will be collated by the Company Secretary and the summary of the evaluation results on the Board Committees and their members will be submitted to the NRC for review

Thereafter, the findings and recommendation of the NRC together with the summary of the evaluation results will be submitted to the Board for deliberation

## Nomination and Remuneration Committee Report

In line with the requirements of the CG Policy and the Code, the NRC had in August 2017 recommended to the Board to engage an external independent consultant to perform a Board Effectiveness Assessment (“BEA”) and Individual Director Evaluation (“IDE”) and the Board approved Institute of Corporate Directors Malaysia (“ICDM”) to be engaged to carry out the BEA and IDE for year 2017.

ICDM had in January 2018 presented to the Board, the outcomes of the BEA and IDE including key areas for improvement. A subsequent follow-up will be carried out by ICDM in second quarter of 2018.

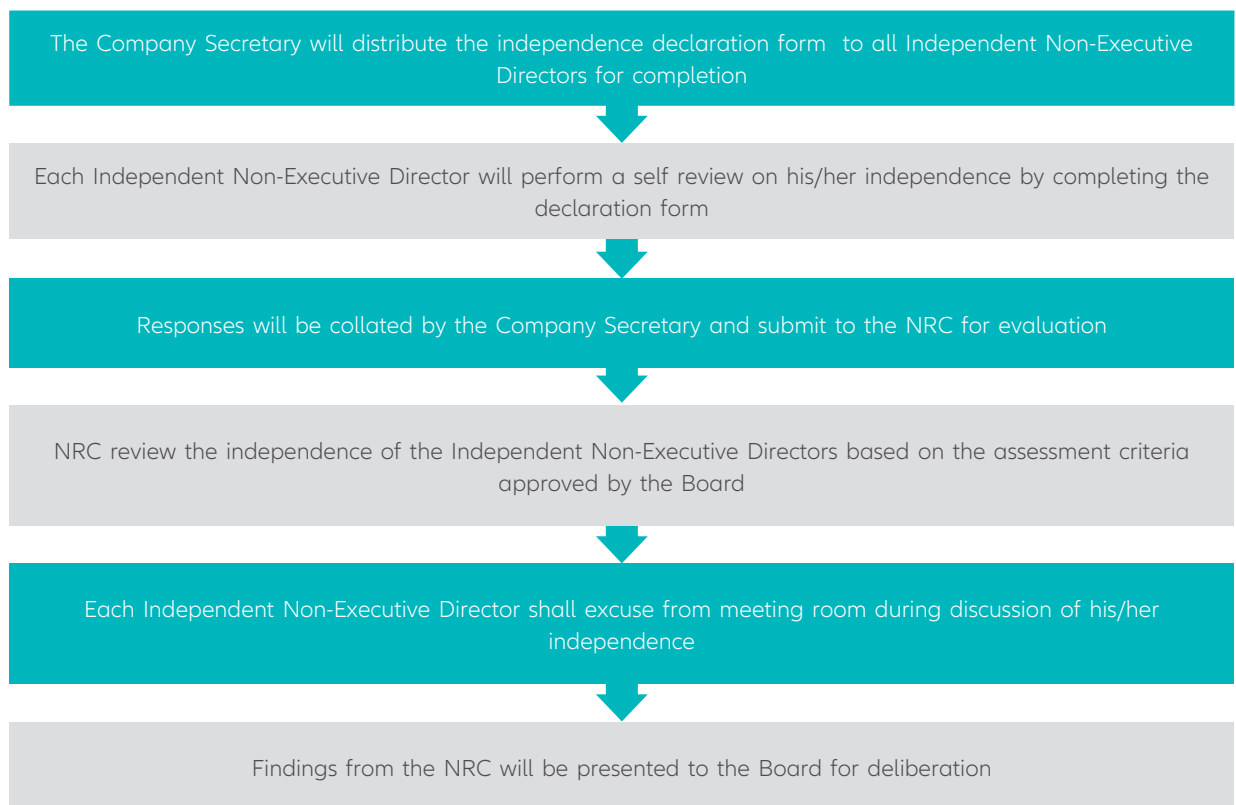
Please refer to the Corporate Governance Report for the findings from ICDM.

## INDEPENDENCE ASSESSMENT

Each Independent Non-Executive Director is required to complete an independence assessment upon admission as an Independent Non-Executive Director or more frequently when a change in position or relationship or when any new interest or relationship develops. The NRC will review the independence of the Independent Non-Executive Director based on the assessment criteria approved by the Board.

Following the implementation of the CG Policy, certain definition in the declaration form and the independence assessment criteria have been amended to be in line with the CG Policy.

The following illustrates the evaluation process of Independent Non-Executive Directors:-



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## RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

In accordance with the Company's Articles of Association (Constitution), one third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall retire at the next following Annual General Meeting. The Company's Articles of Association (Constitution) further provide that all Directors shall retire from office at least once in every 3 years.

The NRC reviews and assesses the performance of the Directors for the Group who are subject to re-election at the Annual General Meeting ("Re-election") and/or Directors who are subject to re-appointment ("Re-appointment") based on the following criteria as approved by the Board:-

- (a) Compliance with prescriptive requirements by regulators;
- (b) Participation in Board and Board Committees' meetings;
- (c) Contribution to interaction;
- (d) Quality of input; and
- (e) Understanding of role.

The NRC submits its findings and recommendation with regard to the Re-election and/or Re-appointment to the respective Boards of the Group for consideration prior to the same being presented to the shareholders or being submitted to BNM for approval.

The evaluation process and procedures for Re-election/Re-appointment practiced within the Group are as follows:-



## Nomination and Remuneration Committee Report

### REMUNERATION

The NRC will review the Directors' remuneration annually based on the following criteria:-

- (a) overall performance of the Group (only applicable to Executive Director);
- (b) level of responsibility;
- (c) expertise;
- (d) complexity of the company's activities; and
- (e) attendance at meetings.

The structure of the remuneration for the Non-Executive Directors who are not representing the interest of the major shareholder are as follows:-

- (a) annual fixed fees ("Directors' Fees"); and
- (b) meeting allowance.

Following the issuance of the Directors' Remuneration Report 2015 by FIDE on 7 December 2015 ("Directors' Remuneration Report"), the Remuneration Committee had in 2016 reviewed the recommendations of the Directors' Remuneration Report and recommended a proposed 3-year step-up plan (2016 – 2018) for the Directors' remuneration, based on the following rationales:-

- (a) to ensure competitiveness of Board remuneration. The proposed increase will enable the Directors' remuneration to be in line with that recommended by the Directors' Remuneration Report and commensurate with the responsibilities and risks assumed by the Directors; and
- (b) to retain Directors. The current Boards of the Company and its insurance subsidiaries are made up of creditable and highly professional Directors, with all of them having good reputation and extensive experience locally and globally in their areas of expertise.

### TRAININGS

During the financial year ended 31 December 2017, NRC members attended various conferences, seminars and training programmes. The list of the training programmes, seminars and conferences is reported in Corporate Governance Report.

### MEETINGS AND ATTENDANCE OF MEETINGS

The NRC meetings for each year are scheduled in advance prior to the end of the year and circulated to the NRC members before the beginning of each year.

The NRC meetings are conducted in accordance with a structured agenda approved by the Chairman of NRC. The agenda together with the minutes of NRC and meeting papers are sent to the NRC members two weeks prior to NRC meetings to accord sufficient time for the NRC members to review and consider issues to be discussed at the NRC meetings. Urgent matters may be tabled for the NRC's deliberation under a supplemental agenda. The meeting papers are prepared in accordance with a prescribed format aims to provide clear, comprehensive and concise information to the NRC members to facilitate their deliberation and decision making.

The CEOs of the Group are permanent invitees to the NRC meeting to assist in the deliberation of matters within their purview.

The meetings of the NRC are transparent, with all proceedings and actions being recorded and documented. NRC member who has a direct or deemed interest in a proposal or subject matter presented at the NRC meeting shall abstain from deliberation and voting on the said proposal or subject matter. The Chairman of the NRC reports to the Boards of the Group on matters deliberated during the NRC meetings which are relevant to the respective companies. The minutes of the NRC, upon confirmation, are presented to the respective Boards of the Group for information.

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There were 5 NRC meetings held during the financial year ended 31 December 2017 and the attendance of the respective NRC members during the financial year ended 31 December 2017 was as follows:-

Name of Members	No. of NRC Meetings Held	No. of NRC Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	4
Tan Sri Razali Bin Ismail	5	5
Foo San Kan	5	5
Dato' Dr. Thillainathan A/L Ramasamy	5	5
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	5	5

## SUMMARY OF ACTIVITIES

The following were the summary of activities carried out by the NRC during the financial year ended 31 December 2017:-

### New Appointment of Directors

NRC carried out evaluation on the proposed appointments of an Independent Non-Executive Director and a Non-Independent Executive Director for the insurance subsidiaries based on the prescribed evaluation criteria and submitted its recommendations and justifications for the said proposed appointments to the respective Boards of the insurance subsidiaries for consideration.

The respective Boards of the insurance subsidiaries accepted the recommendations from the NRC and approved the proposed appointments of the Independent Non-Executive Director and Non-Independent Executive Director subject to BNM's approval.

The Non-Independent Executive Director was formally appointed to the Board of the life insurance subsidiary on 17 August 2017, following the approval granted by BNM.

## Re-Election and Re-Appointment

NRC carried out performance assessment on the Directors who were subject to retirement by rotation pursuant to the Company's Articles of Association (Constitution) at the 43rd Annual General Meeting held in 2017.

NRC having reviewed the assessment results, was satisfied with the performance of the respective Directors, and recommended the re-election of the respective Directors to the Board of the Company for approval.

The re-election of the Director was approved by the shareholders of the Company at the 43rd Annual General Meeting held on 24 May 2017.

NRC also carried out performance assessments on Directors in the insurance subsidiaries who were subject for re-election at the Annual General Meeting of the respective insurance subsidiaries, and having satisfied with the performance of the respective Directors, recommended the re-election of the respective Directors to the Board of the respective insurance subsidiaries for consideration.

NRC also reviewed the proposed re-appointments of Independent Non-Executive Directors and Non-Independent Executive Director of the insurance subsidiaries ("Proposed Re-appointments") based on the criteria prescribed by BNM and submitted its recommendations and justifications for the Proposed Re-appointments to the respective Boards of the insurance subsidiaries for consideration.

The respective Boards of the insurance subsidiaries had approved the Proposed Re-appointments subject to BNM's approval. BNM has in March, June and September 2017 respectively, approved the insurance subsidiaries' applications for the Proposed Re-appointments.

## Directors' Performance Review

NRC reviewed the assessment results of individual Directors and the respective Boards of the Group for year 2017. The individual assessment on Directors of the Group were rated as "Good" and the respective Boards of the Group assessment were rated as "Excellent".



## Nomination and Remuneration Committee Report

### Board Committees' Performance Review

NRC carried out performance assessments on the Board Committees and their members and was satisfied with the performance of the Board Committees and that their respective members have discharged their duties and responsibilities satisfactorily in accordance with the respective Board Committees' TOR. The findings of the NRC were submitted to the Board for deliberation.

### Independence Assessment

All Independent Non-Executive Directors have provided their annual confirmation of independence to the NRC. The annual independence assessment on Independent Non-Executive Directors for year 2017 was performed by the NRC in February 2017. When assessing independence, the NRC focused beyond the Independent Non-Executive Directors' background, economic and family relationships and also considered whether the Independent Non-Executive Directors could continue bringing the independent and objective judgment to the Board.

NRC was satisfied that all Independent Non-Executive Directors of the Company fulfilled the criteria under the definition of Independent Director as prescribed by the authorities and that they have demonstrated independent and objective judgment in Board/Board Committee deliberations and acting in the best interest of the Group, as well as safeguarding the interests of minority shareholders and stakeholders. NRC was of the view that all Independent Non-Executive Directors of the Company remain independent and therefore shall maintain their Independent Non-Executive Directors status in the Company. The observations from the NRC were submitted to the Board for deliberation.

NRC also carried out independence assessment on Independent Non-Executive Directors of the insurance subsidiaries for year 2017 and submitted its observations to the respective Boards of insurance subsidiaries for deliberation.

### Composition Mix

NRC reviewed the composition mix of the Board and opined that the existing Board of the Company is made up of Directors of high caliber and integrity with diverse backgrounds. They possessed the qualification, skills, knowledge and expertise in their respective fields, which are appropriate to the business of the Group, therefore the Board has a good composition mix.

NRC also reviewed and noted that the Independent Non-Executive Directors made up more than half of all the Boards of the Group. Accordingly, the composition of the respective Boards is appropriate and well balanced to cater for the interest of the majority and minority shareholders. NRC submitted its observations to the respective Boards of the Group for deliberation.

Following the issuance of the CG Policy, the revised Board compositions of the Group were proposed by the Management in order to comply with the requirements of the CG Policy. NRC reviewed and proposed the revised Board compositions of the Group to the respective Boards of the Group for approval.

NRC also reviewed the proposed appointments of Chairman for the insurance subsidiaries and submitted its recommendations and justifications for the said proposed appointments to the respective Boards of the insurance subsidiaries for consideration.

### Key Responsible Persons and Employees

- (a) NRC reviewed the list of KRPs of the Group and the annual fit and proper assessment results of the Directors and KRPs of the Group. NRC having satisfied with the results of the fit and proper assessment of the Directors and KRPs, reported its observation to the respective Boards of the Group.
- (b) NRC reviewed the 2016 performance evaluation results of the KRPs of the Group and submitted its observations to the respective Boards of the Group for consideration.
- (c) NRC reviewed the proposed promotion of KRPs and submitted its recommendation to the respective Boards of the Group for approval.
- (d) NRC reviewed the proposed 2016 variable compensation and 2017 compensation for the CEOs of the insurance subsidiaries and recommended to the Boards of the insurance subsidiaries for approval.
- (e) NRC reviewed the 2016 performance bonus payout and 2017 staff salary increment of the Group and recommended for the respective Boards of the Group for approval.
- (f) NRC reviewed the 2017 target letters of the KRPs of the Group, recommended the same to the respective Boards of the Group for approval.

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- (g) NRC reviewed the proposed appointments of KRPs of the Group and recommended the same to the respective Boards of the Group for approval.
- (h) NRC reviewed the proposed re-appointment of Appointed Actuaries for the insurance subsidiaries of the Company for the financial year 2018 and having satisfied with the performance of the Appointed Actuaries of the insurance subsidiaries and their fulfilment with the criteria as stipulated in BNM's Guidelines, recommended their re-appointment to the respective Boards of the insurance subsidiaries for consideration.
- (i) NRC reviewed the succession plan for KRPs of the Group and reported its observations to the respective Boards of the Group.

## Remuneration

NRC reviewed the Directors' fees for the financial year 2016 of the Group prepared based on the 3-year step-up plan and recommended the same for the respective Boards' consideration.

NRC also reviewed the benefits extended to the Directors including Chairman of the Group for the period from 1 January 2017 up to the conclusion of the 2018 Annual General Meeting and submitted its recommendation to the respective Boards for consideration and onward submission to the shareholders for approval.

## Training

NRC reviewed the training programmes/courses attended by the Directors of the Group (either as participant or as a speaker/moderator) for year 2016 and was satisfied with the training programmes/courses attended by the Directors for year 2016. NRC reported its observations to the Board.

## Others

- (a) NRC reviewed its TOR and submitted its recommendation to the Board of the Company for approval.
- (b) NRC reviewed the NRC Report, prepared for inclusion in the Annual Report of the Company for the financial year 2016, and recommended for the Board of the Company for approval.
- (c) NRC reviewed and recommended the proposed Talent Management Framework of the Group to the respective Boards of the Group for approval.
- (d) NRC reviewed the proposed introduction of technical/ skills allowance and submitted its recommendation to the respective Boards of the Group for consideration.
- (e) NRC discussed the productivity review of the insurance subsidiary.
- (f) NRC reviewed the proposed engagement of an external independent consultant to perform external BEA and IDE and recommended the same to the respective Boards of the Group for approval.
- (g) NRC reviewed the proposed adoption of Allianz Group Fit and Proper Policy version 3.0 issued by Allianz SE and submitted its recommendation to the respective Boards of the Group for consideration.
- (h) NRC reviewed the revised AMB Group Fit and Proper Policy and Procedures for KRPs and submitted its recommendation to the respective Boards of the Group for approval.
- (i) NRC reviewed the proposed adoption of Allianz Policy for Remuneration version 3.0 issued by Allianz SE and recommended to the respective Boards of the Group for approval.

This NRC Report was approved by the Board on 26 March 2018.

# Additional Compliance Information

## 1. MEETING ATTENDANCE RECORD FOR 2017

	Board	Board Committee		
		AC	RMC	NRC
<b>Independent Non-Executive Directors</b>				
Dato' Dr. Thillainathan A/L Ramasamy	5/5	5/5***	4/4	5/5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4/5	5/5	4/4	4/5
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	5/5		4/4	5/5
<b>Non-Independent Non-Executive Directors</b>				
Tan Sri Razali Bin Ismail	5/5	2/2*		5/5
Foo San Kan	5/5	5/5**	4/4	5/5
<b>Non-Independent Executive Directors</b>				
Zakri Bin Mohd Khir	2/2#			
Ong Eng Chow	2/2##			
<b>Independent Non-Executive Director of Subsidiaries</b>				
Goh Ching Yin			4/4	

### Notes:

AC : Audit Committee

RMC : Risk Management Committee

NRC : Nomination and Remuneration Committee

 : Chairman

 : Member

 : Non-Member

\* : Tan Sri Razali Bin Ismail relinquished his position as AC member on 1 April 2017.

\*\* : Foo San Kan relinquished his position as AC Chairman and re-designated as member of AC on 1 April 2017.

\*\*\* : Dato' Dr. Thillainathan A/L Ramasamy appointed as AC Chairman on 1 April 2017.

# : Zakri Bin Mohd Khir resigned as Director of the Company on 25 May 2017.

## : Ong Eng Chow retired as Director of the Company at the 43rd Annual General Meeting held on 24 May 2017.

## 2. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2017, there were no proceeds raised from corporate proposals.

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### 3. MATERIAL CONTRACTS

The Company had on 27 December 2012 entered into an advance agreement (“Advance Agreement”) with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of EURO Equivalent of RM54.3 million to be made available by Allianz SE to the Company (“Advance”), upon the terms and conditions as stipulated in the Advance Agreement. The term loan is unsecured and subject to interest of 4.3 percent per annum and has been fully repaid on 19 January 2018.

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

Save as disclosed above, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors, chief executive who is not a Director or major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2017 or, had been entered into since the end of the previous financial year.

### 4. ANALYSIS OF SHAREHOLDINGS

As at 19 March 2018

#### 4.1 ORDINARY SHARES

Class of Shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

#### DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	147	6.72	850	0.00
100 to 1,000	1,198	54.75	403,048	0.23
1,001 to 10,000	566	25.87	2,320,862	1.32
10,001 to 100,000	199	9.10	5,852,755	3.33
100,001 to less than 5% of issued shares	77	3.52	51,578,028	29.39
5% and above of issued shares	1	0.04	115,362,295	65.73
<b>Total</b>	<b>2,188</b>	<b>100.00</b>	<b>175,517,838</b>	<b>100.00</b>

#### SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	65.73	–	–
Employees Provident Fund Board	9,070,800	5.17	–	–
Aberdeen Asset Management Sdn. Bhd.	–	–	8,984,300	5.12
Standard Life Aberdeen plc and its subsidiaries (together “SL Group”) on behalf of accounts managed by SL Group	–	–	9,370,300	5.34

## Additional Compliance Information

### 4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 19 March 2018

#### 4.1 ORDINARY SHARES (CONTINUED)

##### THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

Name of Shareholders	No. of Shares Held	% of Shares
1 CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	115,362,295	65.73
2 PERTUBUHAN KESELAMATAN SOSIAL	4,993,522	2.85
3 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,729,800	2.69
4 CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	3,997,900	2.28
5 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	3,400,000	1.94
6 AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	3,020,200	1.72
7 CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 9)	2,063,280	1.18
8 AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	1,919,700	1.09
9 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT ASIA (EX JAPAN) QUANTUM FUND (4579)	1,628,250	0.93
10 MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	1,343,700	0.77
11 HSBC NOMINEES (ASING) SDN BHD CACEIS BANK FOR HMG GLOBETROTTER	1,263,000	0.72
12 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,053,900	0.60
13 AMSEC NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)	1,050,000	0.60
14 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	984,425	0.56

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## 4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 19 March 2018

### 4.1 ORDINARY SHARES (CONTINUED)

#### THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS (CONTINUED)

Name of Shareholders	No. of Shares Held	% of Shares
15 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT INCOME FUND (4850)	924,975	0.53
16 DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	820,009	0.47
17 LIM SU TONG @ LIM CHEE TONG	802,000	0.46
18 CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND	798,300	0.45
19 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AMB DIVIDEND TRUST FUND (5428-401)	764,200	0.44
20 CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY INCOME FUND	617,600	0.35
21 MAYBANK NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCEBERHAD (PAR-220082)	607,300	0.35
22 HSBC NOMINEES (ASING) SDN BHD CACEIS BANK FOR HMG RENDEMENT	600,000	0.34
23 MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT – HW FLEXI FUND (270519)	580,000	0.33
24 AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	579,700	0.33
25 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	565,200	0.32
26 AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	560,600	0.32
27 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AM INV)	552,400	0.31
28 CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AM A EQ)	500,900	0.29
29 AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	500,000	0.28
30 NAHOORAMMAH A/P SITHAMPARAM PILLAY	500,000	0.28

## Additional Compliance Information

### 4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 19 March 2018

#### 4.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

- Class of Shares : Preference shares
- Voting Rights : The ICPS holders shall carry no right to vote at any general meeting of the Company except for the following circumstances:-
- (a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;
  - (b) on a proposal to wind-up the Company;
  - (c) during the winding-up of the Company;
  - (d) on a proposal that affect the rights attached to the ICPS;
  - (e) on a proposal to reduce the Company's share capital; or
  - (f) on a proposal for the disposal of the whole of the Company's property, business and undertaking.

In any such cases, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and exercise 1 vote for each ICPS held.

#### DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	% of ICPS Holders	No. of ICPS Held	% of ICPS
Less than 100	20	3.35	425	0.00
100 to 1,000	317	53.10	80,568	0.05
1,001 to 10,000	163	27.30	593,374	0.35
10,001 to 100,000	70	11.73	2,055,091	1.20
100,001 to less than 5% of issued ICPS	26	4.35	23,755,621	13.92
5% and above of issued ICPS	1	0.17	144,202,868	84.48
<b>Total</b>	<b>597</b>	<b>100.00</b>	<b>170,687,947</b>	<b>100.00</b>

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## 4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 19 March 2018

### 4.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONTINUED)

#### THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS

Name of ICPS Holders	No. of ICPS Held	% of ICPS
1 CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	144,202,868	84.48
2 MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	5,624,400	3.30
3 PERTUBUHAN KESELAMATAN SOSIAL	4,532,500	2.66
4 CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,458,500	2.03
5 AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	2,771,000	1.62
6 HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,556,458	0.91
7 OLIVE LIM SWEE LIAN	1,079,900	0.63
8 HSBC NOMINEES (ASING) SDN BHD CACEIS BANK FOR HMG GLOBETROTTER	687,900	0.40
9 NEOH CHOO EE & COMPANY, SDN. BERHAD	627,500	0.37
10 AU YONG MUN YUE	500,000	0.29
11 DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	288,463	0.17
12 AMSEC NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN)	285,700	0.17
13 RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	220,000	0.13
14 LOH CHAI KIAM	204,000	0.12
15 AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	200,000	0.12

## Additional Compliance Information

### 4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 19 March 2018

#### 4.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONTINUED)

##### THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS (CONTINUED)

Name of ICPS Holders	No. of ICPS Held	% of ICPS
16 DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET LUXEMBOURG FUND WLK FOR GOODHART PARTNERS HORIZON FUND - HMG GLOBAL EMERGING MARKETS EQUITY FUND	200,000	0.12
17 DYNAQUEST SDN. BERHAD	192,000	0.11
18 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NOBLE SOUND SDN BHD (PB)	175,000	0.10
19 CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	150,000	0.09
20 MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG	136,800	0.08
21 MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	133,100	0.08
22 LIM TEAN KAU	126,000	0.07
23 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KATHRYN MA WAI FONG (PB)	125,000	0.07
24 KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	125,000	0.07
25 EVERGREEN ANGLE SDN BHD	123,000	0.07
26 PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG (E-IMO)	119,100	0.70
27 MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	114,300	0.07
28 CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOKE PIK WAH (MY0288)	100,000	0.06
29 INSAS PLAZA SDN BHD	90,900	0.05
30 SAI YEE @ SIA SAY YEE	73,000	0.04

## 5. LIST OF TOP TEN PROPERTIES

As at 31 December 2017 Owned By The Group

No	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Wilayah Persekutuan	Office/ Investment properties	Freehold	3,731	Corporate office	16 years	04/07/2016	40,862
2	Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur Wilayah Persekutuan	Branch office	Lot PT1- Leasehold Expiring 06/09/2072	3,672	Office building	34 years	17/10/2016	4,532
			Lot 263 Freehold			36 years	17/10/2016	7,502
3	Wisma Allianz Life No. 11, 12, 13 and 14 Jalan 53 Desa Jaya Commercial Centre Taman Desa, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 08/03/2081	2,500	Terrace shop/office	32 years	29/09/2015	8,414
4	No. 42 & 46 Jalan Tiara 2C Bandar Baru Klang Klang, 41150 Selangor Darul Ehsan	Branch Office	Leasehold Expiring 08/05/2093	1,228	Terrace shop/office	15 years	26/11/2015	4,753
5	Unit Nos. A-G-1, A-1-1, A-2-1, A-2-2 Block A, Greentown Square Jalan Dato' Seri Ahmad Said Ipoh, 30450 Perak Darul Ridzuan	Branch Office/ Investment properties	Leasehold Expiring 01/10/2102	884	Commercial building	12 years	29/09/2015	2,900
6	No. 1, Phase 4A, Metro Prima Business Centre Jalan Prima 9, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 28/04/2096	1,195	Terrace shop/office	20 years	17/10/2016	2,591



## Additional Compliance Information

### 5. LIST OF TOP TEN PROPERTIES (CONTINUED)

As at 31 December 2017 Owned By The Group

No	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
7	Lot 30, Block E Sedco Complex Jalan Albert Kwok Locked Bag 69 Kota Kinabalu 88000 Sabah	Branch office	Leasehold Expiring 31/12/2073	457	4-storey office building	35 years	17/10/2016	2,472
8	HS(D) 39878 Lot No. PTD 17887 Mukim of Plentong No. 84, Jalan Serampang Taman Pelangi 80400 Johor Bahru	Branch office	Freehold	534	3-storey terrace shop office	39 years	17/10/2016	2,437
9	No. 15, Jalan 8/1D Section 8, Petaling Jaya 46050 Selangor Darul Ehsan	Branch office	Leasehold Expiring 07/08/2066	697	Terrace shop office	51 years	17/10/2016	2,144
10	No. 487 Jalan Permatang Rawa Bandar Perda Bukit Mertajam 14000 Penang	Branch office	Freehold	758	4-storey shop office	19 years	25/11/2015	2,040

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## 6. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2017 were as follows:-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
a) Reinsurance arrangements between the Company's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangements entered into between the parties*	**Allianz SE Group	(142,637)
b) Payment of annual maintenance and support fees by the Company's life insurance subsidiary to Allianz Technology SE (formerly known as Allianz Managed Operations and Services SE) ("Allianz Technology") for the software system provided by Allianz Technology	**Allianz Technology	(369)
c) Payment of fees by the Company's life insurance subsidiary to IDS GmbH ("IDS") for conducting performance attribution analysis	**IDS	(11)
d) Payment of fees by the Group to Allianz Technology for sharing of Allianz Worldwide Intranet Network	**Allianz Technology	(354)
e) Investment and redemption of funds (including fund management fees) distributed by Allianz Global Investors Singapore Limited ("AGI") by the Company's life insurance subsidiary	**AGI	1,517
f) Payment of fees by the Group to Allianz Investment Management Singapore Pte Ltd ("AIM Singapore") for investment advisory services provided by AIM Singapore	**AIM Singapore	(3,465)
g) Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(2,345)
h) Payment of service fees by the Company's general insurance subsidiary to Allianz Worldwide Partners Services Sdn Bhd (formerly known as Mondial Assistance Services (Malaysia) Sdn Bhd) ("AWP") for road assistance services provided by AWP to the policyholders of the Company's general insurance subsidiary	**AWP	(7,454)
i) Payment of fees by the Group to Allianz Technology for sharing of Human Resource database platform	**Allianz Technology	(74)
j) Payment of fees by the Company's insurance subsidiaries to Allianz Technology for purchasing of various software licenses	**Allianz Technology	(281)
k) Payment of fees by the Company's insurance subsidiaries to RCM Asia Pacific Limited ("RCM") for sharing of AGI Global Bloomberg Asset & Investment Manager database, IT support, maintenance and execution of equity transactions provided by RCM to the Company's insurance subsidiaries	**RCM	(337)

## Additional Compliance Information

### 6. RECURRENT RELATED PARTY TRANSACTIONS (CONTINUED)

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2017 were as follows (continued):-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
l) Operational fees received by the Company's general insurance subsidiary for the services rendered by the Company's general insurance subsidiary to Euler Hermes Singapore Services Pte Ltd ("EHS")	**EHS	2,469
m) Payment of fees by the Company's insurance subsidiaries to Allianz Investment Management SE ("AIM SE") and IDS for IT Infrastructure and operational investment controlling and support services	**AIM SE	(271)
n) Payment of fees by the Group to Allianz Technology for the usage of TeamMate Solution	**Allianz Technology	(32)
o) Fees received by the Company for the provision of the regional audit services by the Company to Allianz SE Singapore Branch ("AZAP")	**AZAP	1,188
p) Payment of annual membership fees by the Company's life insurance subsidiary to Allianz Global Benefits GmbH ("AGB") for participating in the Allianz International Employee Benefits Network	**AGB	(21)
q) Payment of fees by the Company's insurance subsidiaries to AIM SE for supporting advisory services in various areas of the investment process	**AIM SE	(369)
r) Payment of fees by the Company's life insurance subsidiary for sharing of Global Procurement (excluding IT) services and support rendered by Allianz SE	**Allianz SE	(189)
s) Engagement of Allianz Technology, Munich branch Wallisellen for the support and maintenance support service on Expert Underwriting System	**Allianz Technology	(391)
t) Fees received by the Company's life insurance subsidiary for the provision of regional underwriting services by the Company's life insurance subsidiary to AZAP	**AZAP	337
u) Payment of fees by the Company's insurance subsidiaries to AZAP for the business building advisory services and regional investment provided by AZAP	**AZAP	(29,650)
v) Payment of fees by the Company's life insurance subsidiary to Allianz Technology for the leasing of license service of Thunderhead solution for the implementation of E-Policy	**Allianz Technology	(87)
w) Payment of fees by the Company's general insurance subsidiary to Allianz SE for the usage of software licenses purchased by Allianz SE from Willis Towers Watson	**Allianz SE	(35)

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## 6. RECURRENT RELATED PARTY TRANSACTIONS (CONTINUED)

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2017 were as follows (continued):-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
x) Payment of fees by the Company's insurance subsidiaries to Allianz SE on the support of design and development for Global Digital Factory	**Allianz SE	(64)
y) Payment of fees by the Company's life insurance subsidiary to Allianz SE for the development of Allianz One Finance Programme	**Allianz SE	(72)
z) Fees received by the Company for providing life actuarial modeling services to Allianz SE Group under the Regional Actuarial Center of Competence	**Allianz SE Group	575
aa) Payment of fees by the Company's insurance subsidiaries to Allianz SE for IT Security services	**Allianz SE	(314)
bb) Payment of fees by the Company's insurance subsidiaries to Rapidpro Consulting Sdn Bhd ("Rapidpro") for consulting and training services rendered by Rapidpro	Rapidro	(715)

**Note:-**

- \* As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.
- \*\* Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.

# NURTURING FUTURE TALENTS

Since 2012,  
AJFC Malaysia  
has witnessed the  
talents of 5,769 young  
aspiring footballers.









# Media Highlights

## PROPERTY AND CASUALTY OPERATIONS

### Allianz General berjaya halang penipuan insurans

**KUALA LUMPUR:** Allianz General Insurance Company (Malaysia) Bhd. (Allianz General) berjaya menghalang penipuan dengan membayar insurans pada sebanyak RM 3.6 juta untuk insiden banjir di Klang.



Kanis, Subhanan Yusoff, Allianz General, mengemukakan bahawa insurans tersebut adalah penting untuk memastikan bahawa insurans yang dibayar adalah sah dan tidak melibatkan penipuan. Beliau berkata, insurans yang dibayar adalah penting untuk memastikan bahawa insurans yang dibayar adalah sah dan tidak melibatkan penipuan.

Insurans tersebut adalah penting untuk memastikan bahawa insurans yang dibayar adalah sah dan tidak melibatkan penipuan. Beliau berkata, insurans yang dibayar adalah penting untuk memastikan bahawa insurans yang dibayar adalah sah dan tidak melibatkan penipuan.

### Allianz Flight Care 國內航班延誤賠50令吉

「華航六日機」延誤 48 小時，Allianz Flight Care 曾五九元的國內航線延誤，每小時賠 50 令吉。



Allianz Flight Care 可以在 Allianz Online 辦理。此外，Allianz Flight Care 亦提供 24 小時熱線服務，為客戶提供有關延誤的查詢。

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### SAFE AND SOUND

Get paid for delayed flights with Allianz Flight Care! For just RM10, Allianz Flight Care will pay you RM50 when your domestic flight is delayed. The best of its kind in the industry, Allianz Flight Care offers one-way or round-trip coverage for a lone traveller or a traveller with a maximum of five family members. It covers any airline offering flights within Malaysia and globally, should the flight be no later than 24 hours before the departure time of a domestic flight. Sold exclusively on Allianz Online, Allianz Flight Care is the first of two general insurance products that customers can purchase on the platform.



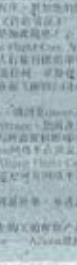
Standing beside the policeman (from left), chief of Police Department Kuala Lumpur, Allianz general head of Claims, Anwar Ibrahim Yusoff, Allianz Assistant Commissioner of Police Mohd Yusoff and IGD Kuala Lumpur, as well as Allianz general chief operating officer Sookling pose for a group picture before the launch of Allianz Road Rangers.

### Allianz Road Rangers hits the streets with seven new customer touch points

**KUALA LUMPUR:** Allianz General Insurance Company (Malaysia) Bhd. has officially launched its Allianz Road Rangers, with seven new touch points in town. The Allianz Road Rangers is a general insurance product that covers any and all road accidents that occur on any road in Malaysia. The new Allianz Road Rangers touch points include a new 24 Hours Accident Call Centre, the Allianz Road Rangers Best and Claims Concierge, Allianz Road Rangers app, Allianz Road Rangers website, Allianz Road Rangers hotline, and Allianz Road Rangers social media channels.

### Get paid for delayed flights with Allianz Flight Care

「華航六日機」延誤 48 小時，Allianz Flight Care 曾五九元的國內航線延誤，每小時賠 50 令吉。此外，Allianz Flight Care 亦提供 24 小時熱線服務，為客戶提供有關延誤的查詢。



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### Firm offers free travel shield for tourists in Langkawi

Allianz offers free travel shield for tourists in Langkawi. The Allianz Road Rangers touch points include a new 24 Hours Accident Call Centre, the Allianz Road Rangers Best and Claims Concierge, Allianz Road Rangers app, Allianz Road Rangers website, Allianz Road Rangers hotline, and Allianz Road Rangers social media channels.

### Allianz goes above and beyond

Allianz goes above and beyond in providing exceptional service to its customers. The Allianz Road Rangers touch points include a new 24 Hours Accident Call Centre, the Allianz Road Rangers Best and Claims Concierge, Allianz Road Rangers app, Allianz Road Rangers website, Allianz Road Rangers hotline, and Allianz Road Rangers social media channels.

### Allianz stops RM5.6 mln of fake insurance claims

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### Allianz makes payment to burned supermarket

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### Allianz approves RM2.2 mln in interim payments for flood victims

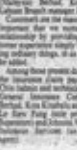
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### Allianz General launches Smart Home Cover

Allianz General launches Smart Home Cover. The Allianz Road Rangers touch points include a new 24 Hours Accident Call Centre, the Allianz Road Rangers Best and Claims Concierge, Allianz Road Rangers app, Allianz Road Rangers website, Allianz Road Rangers hotline, and Allianz Road Rangers social media channels.

### Menyediakan Rumah Tanpa Risiko Bersama Allianz

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# LIFE OPERATIONS

**A significant accomplishment**  
Allianz Life Insurance Malaysia Ltd chief executive officer Joseph Gross (left) from left with Deputy Chief Executive Officer Stefan Bittl, deputy chief sales officer Raymond Cheah, chief sales officer Ong Poo Han and some of the high-performing agents during the Agency Results Gala 2017 at Century International Convention Centre (CICC), First World Hotel in Genting Highlands. The agents were among 1,300 agents honoured at the awards night. Following Allianz's 6th achievement in reaching RM262.5m in New Business Premiums (NBP) for 2016.



**PELAKSMA Allianz**  
Kuala Lumpur (4 April) - Allianz mempersembahkan acara persembahan Gala Persembahan Allianz i-HospitalCash dan Allianz i-EssentialCover yang membolehkan pelanggan menikmati perlindungan serta kemudahan perkhidmatan insurans yang terbaik.

## Allianz perkenalkan i-HospitalCash, i-EssentialCover

**KUALA LUMPUR 4 April** - Allianz mempersembahkan acara persembahan Allianz i-HospitalCash dan Allianz i-EssentialCover yang membolehkan pelanggan menikmati perlindungan serta kemudahan perkhidmatan insurans yang terbaik.

Yuzhan Ponnadurai (Pengarah Jualan Insurans Allianz Life Insurance Malaysia Berhad, Ltd) Li Hong berkata, insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

"Insurans i-HospitalCash membolehkan pelanggan menikmati perlindungan insurans yang terbaik, seperti insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan."

"Insurans i-EssentialCover membolehkan pelanggan menikmati perlindungan insurans yang terbaik, seperti insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan."

## Perkenalkan Allianz 3H Cover

Allianz Life Insurance Malaysia Berhad mengumumkan bahawa insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

"Insurans i-HospitalCash membolehkan pelanggan menikmati perlindungan insurans yang terbaik, seperti insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan."

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**三高與高血糖患者 仍可購買保險與醫藥卡**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Allianz offers a second lease on life**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Allianz Malaysia Tackles the "3 Highs" with Allianz 3H Cover**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**3,000 agents join Allianz Charity Day**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Allianz's e-claims makes it a breeze for customers**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Perkenalkan Allianz 3H Cover**

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**Allianz 3H Cover**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Allianz Diabetic Essential Launch**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**A sweet insurance plan**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Innovation from Insurans Allianz Malaysia**

Insurans perkhidmatan insurans yang diperkenalkan ini adalah langkah yang signifikan dalam meningkatkan kualiti perkhidmatan Allianz kepada pelanggan.

**Allianz's e-claims makes it a breeze for customers**

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Company Corner

ALLIANZ MALAYSIA BEAT 2017 GWP RECORD

Allianz Malaysia Berhad (AMB) Group announced for the first three months of 2017 it recorded RM3.24 billion in GWP, an increase of 10.7% on RM2.92 billion for the same period last year.

The Group's total assets grew 4.2% to RM20.2 billion in the first three months of 2017, as compared to RM19.1 billion for the same period in 2016. The Group's total assets are composed of RM17.3 billion in the same period last year.

AMB Chief Executive Officer, John Tan, said, "Overall, solid performance. We continue to focus on our core business and the overall growth momentum for the first quarter of the year this year."

"Allianz Malaysia achieved RM3.24 billion in GWP in the first three months of 2017, leading to our full financial year 2017 results. This is a testament to our excellent and superior customer service that has allowed us to continue to grow rapidly the last, while the economy."

AMB's general insurance subsidiary, Allianz General Insurance Company Malaysia Berhad (AGIM) made a RM1.6 billion in GWP in the first quarter of 2017, a 12.8% increase on RM1.43 billion in 2016.

Underwriting profit up to RM102.5 million from RM90.5 million in 2016. AGIM's GWP in the first three months of 2017 was RM1.6 billion in 2017, an increase of 12.8% on RM1.43 billion in 2016.

Total assets over 20 billion in 2017. Total assets in the first quarter of 2017 were RM20.2 billion, an increase of 4.2% on RM19.1 billion in the first quarter of 2016.

The 50th anniversary of the Group, Allianz Life Insurance Malaysia Berhad continues to grow, recording a 5.2% increase in GWP to RM1.6 billion in the first three months of 2017 from RM1.52 billion in 2016.

The new business premium (NB) increased by 17.2% in the first quarter of 2017 from RM1.8 billion in 2016. The new business premium (NB) in 2017 was RM1.8 billion, an increase of 17.2% on RM1.52 billion in 2016.



Allianz: Tax relief for insurance will be a big breakthrough

KUALALUMPUR: An additional tax relief for life or medical insurance in Budget 2018 will be a big breakthrough to drive the country's private retirement protection in the long run, said Allianz Life Insurance Malaysia Berhad chief executive officer, Joseph Gons.



I know it is not easy to increase the tax breaks. But it is an incentive system that can work in the mid-term to drive up the private retirement protection for the long term.

He said the move would encourage more people to own private insurance.

"It is not easy to increase the tax breaks. But it is an incentive system that can work in the mid-term to drive up the private retirement protection for the long term," he said.

Gons was responding to questions pertaining to the industry players' recent calls for extra tax relief for medical insurance in Budget 2018.

"And the relief will continue for sure," he added.

Government statisticians had asked whether the country could achieve the 75 per cent life insurance penetration rate in 2025.

These people, risked being passed down outright by other insurers and would not easily get insurance coverage," he said.

However, Gons said by entering the new market and new segments, the initiative could help boost the penetration rate in the country.

"I believe the new product will see a meaningful growth within 18 months," he said.

The 3M Cover is an insurance coverage enabling those who are suffering from the 3M to take up a protection plan up to age 85.

Allianz Malaysia posts RM3.24b in GWP in third quarter results

KUALALUMPUR: Allianz Malaysia Berhad (AMB) Group announced for the first three months of 2017 it recorded RM3.24 billion in GWP, an increase of 10.7% on RM2.92 billion for the same period last year.



The Group's total assets grew 4.2% to RM20.2 billion in the first three months of 2017, as compared to RM19.1 billion for the same period in 2016. The Group's total assets are composed of RM17.3 billion in the same period last year.

ALLIANZ LIFE CHIEF UPBEAT ON INSURANCE SECTOR

KUALALUMPUR: Allianz Life Insurance Malaysia Berhad chief executive officer, Joseph Gons, said the insurance sector is showing signs of recovery and is expected to grow significantly in the coming years.

Gons said the insurance sector is showing signs of recovery and is expected to grow significantly in the coming years. He noted that the industry is facing challenges but remains optimistic about the future.



ALLIANZ 次季賺 6648 万

【香港 17 日讯】ALLIANZ (ALLIANZ, 1163, 主权金融股) 截至 6 月 30 日次季, 净利按季升 12.8% 至 6648 万令吉; 营业额则升 3.9%, 达 11 亿 9079 万 7000 令吉。

其中, 财险利润下跌, 寿险业务的盈利则升 13.8%。得益于投资组合资产和保费收入保险的稳定增长, 而新业务则持平。

至于寿险业务, 税前净利润增 1290 万令吉或 23%, 归功于保障业务预期的盈利。公司期待大量经济刺激, 而今年首季达 5.6%, 表现强劲, 预计未来可稳定持续增长。对于大保险业务, 预期将保持稳健, 及投资回报的上升。因此, 公司有信心, 预期业务在下半年将有意愿的表现。



# BEST ALLIANZ



## Allianz Malaysia Recognised At Malaysia-Asean Corporate Governance Award 2016

Allianz Malaysia has been awarded the Merit Award for Corporate Governance (CG) Division at the Malaysia-Asean Corporate Governance Award 2016 at the Asia Pacific Corporate Governance Awards 2016, held at the Sheraton Grand Hotel & Towers, Kuala Lumpur.

The Merit Award for CG Division is awarded to top 10 Public Listed Companies (PLCs) which incorporate the best corporate governance practices, identified from the 600 companies that were short-listed among the ASEAN CG survey and methodology.

## Sebaik-baik Kasih Sayang Menerusi Sambutan Hari Allianz

Berita baik ini, Allianz Malaysia berhad telah menyambut hari Allianz dengan menghidangkan buncar-buncar manis kepada pengunjung di pejabat Allianz Kelantan Kelantan. Sambutan ini berlangsung dengan sambutan-Chao Goh Mei Hanke 'D' Tahun Baru Cina (T) Tahun Baru yang juga diorganisasikan oleh Valentine Day tahun Cina.

"Tahun ini sambutan hari Allianz kami bersempitan dengan pengage acara kelab-kelab. Dalam memperingati tahun ini, kami memilih sambutan Chao Goh Mei Hanke ini sebagai sambutan yang baik untuk menghidangkan kami agar memyng yang terbaik dalam apa sahaja tanggapan dan juga yang kami sukakan," kata Feroze Shah, Ketua Kelantan Kelantan.



## Larian JIM Allianz Duo Highway Challenge

Dimeriahkan lebih 9,000 peserta



The Allianz Duo Highway Challenge is a 100km ultra-marathon race held in the state capital of Johor Bahru. The race is held annually and attracts thousands of runners from across the country.

The Allianz Duo Highway Challenge is a 100km ultra-marathon race held in the state capital of Johor Bahru. The race is held annually and attracts thousands of runners from across the country.



Sebuah kumpulan yang menghadiri...



## Allianz M'sia launches Junior Football Camp

Allianz Malaysia has launched a Junior Football Camp for children aged 8 to 12 years old. The camp is held in Kuala Lumpur and aims to promote football and sports among young children.



Sebuah kumpulan yang menghadiri...

## Allianz Malaysia Foots Mum'sy's Shopping TRL

Allianz Malaysia has launched a Mum'sy's Shopping TRL event for mothers. The event is held in Kuala Lumpur and aims to provide mothers with a day of shopping and relaxation.

The Mum'sy's Shopping TRL event is a day of shopping and relaxation for mothers. It is held in Kuala Lumpur and aims to provide mothers with a day of shopping and relaxation.



## Supercharger

Supercharger is a financial product offered by Allianz Malaysia. It is a long-term investment product that aims to help investors grow their wealth over time.

## Katsana partners insurers to boost usage-based insurance adoption

Katsana has partnered with insurers to boost the adoption of usage-based insurance. This partnership aims to provide more tailored and cost-effective insurance solutions to policyholders.

The partnership between Katsana and insurers is aimed at boosting the adoption of usage-based insurance. This partnership aims to provide more tailored and cost-effective insurance solutions to policyholders.



Sebuah kumpulan yang menghadiri...

Allianz Malaysia has launched a new financial product called Supercharger. This product is designed to help investors grow their wealth over the long term.

Allianz Malaysia has been awarded the Best Motor Insurance Company in 2016. This award recognizes the company's commitment to providing excellent service to its customers.



Sebuah kumpulan yang menghadiri...



Sebuah kumpulan yang menghadiri...



Sebuah kumpulan yang menghadiri...

## Brave trio tackle life-changing health challenges

Three brave individuals have shared their stories of overcoming life-changing health challenges. Their stories are a testament to the power of resilience and the support of Allianz.



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**Early start to handling finances**  
20000 young students of SJK, SJK, and SJK in Sabong, Penang, posing for a group photo with Allianz Malaysia staff after attending a My Finance Club class recently. The students were taught different possibilities for managing their money. They also participated in group exercises involving different forms of investment tools on 'The Magic Triangle of Investment' covering various assets. After a quiz, the winners were awarded prizes for their performance. The implementation of My Finance Club in Sabong in January 2017, has reached more than 10,000 students in 100 schools and organisations.



**Disabled-friendly toilet thanks to Allianz General**

Allianz General Insurance Malaysia has recently completed a project to install a disabled-friendly toilet in a public restroom in a shopping centre. The toilet is equipped with various facilities such as a ramp, handrails, and a lowered sink to ensure accessibility for people with disabilities. The project was funded by Allianz General Insurance Malaysia as part of their social responsibility efforts.

**SHOWING CHILDREN**  
Allianz Malaysia staff members are actively engaged in various community activities. One such activity is a financial literacy program for children, where they teach them about saving, budgeting, and investing. The staff members are also involved in sports events and other social activities to promote a sense of community and support.

**Allianz Malaysia**  
Tapping on risk expertise to do good for society

Allianz Malaysia is committed to social responsibility and community engagement. The company has established various initiatives to support the community, including financial literacy programs, sports events, and social activities. The company's risk expertise is being leveraged to do good for society and create a positive impact.



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**Insurer holds special blood and organ donation drive**

Allianz Malaysia has organized a special blood and organ donation drive to support the community. The drive was held at a public location and attracted many participants. The company is committed to social responsibility and community engagement, and this drive is a testament to their commitment.

**Bumping up employment for differently abled persons**

Allianz Malaysia is committed to social responsibility and community engagement. The company has established various initiatives to support the community, including financial literacy programs, sports events, and social activities. The company's risk expertise is being leveraged to do good for society and create a positive impact.

**Serving the homeless**

Allianz Malaysia is committed to social responsibility and community engagement. The company has established various initiatives to support the community, including financial literacy programs, sports events, and social activities. The company's risk expertise is being leveraged to do good for society and create a positive impact.



Allianz volunteers after serving the homeless at the Peritoni Soup Kitchens in the Kota Raya area.

**Teaching the value of money**

Allianz Malaysia is committed to social responsibility and community engagement. The company has established various initiatives to support the community, including financial literacy programs, sports events, and social activities. The company's risk expertise is being leveraged to do good for society and create a positive impact.

**Projek57 cyclists ride for unity around Malaysia**  
A group of cyclists participated in a ride across Malaysia to promote unity and social responsibility. The ride was organized by Allianz Malaysia and attracted many participants. The company is committed to social responsibility and community engagement, and this ride is a testament to their commitment.

**Amal tujuh tip keselamatan**

Allianz Malaysia is committed to social responsibility and community engagement. The company has established various initiatives to support the community, including financial literacy programs, sports events, and social activities. The company's risk expertise is being leveraged to do good for society and create a positive impact.

**Empowering future changemakers**  
Allianz Malaysia is committed to social responsibility and community engagement. The company has established various initiatives to support the community, including financial literacy programs, sports events, and social activities. The company's risk expertise is being leveraged to do good for society and create a positive impact.



# Financial Statements

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# Directors' Report

for the year ended 31 December 2017

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	287,962	76,466

## DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

- (i) In respect of the financial year ended 31 December 2016 as reported in the Directors' report of that year:
- an interim preference share dividend of 10.80 sen per Irredeemable Convertible Preference Share ("ICPS") under single tier system totalling RM18,630,000 declared on 16 January 2017 and paid on 21 February 2017; and
  - an interim ordinary share dividend of 9.00 sen per ordinary share under single tier system totalling RM15,633,000 declared on 16 January 2017 and paid on 21 February 2017.
- (ii) In respect of the financial year ended 31 December 2017:
- an interim preference share dividend of 14.40 sen per ICPS under single tier system totalling RM24,627,000 declared on 10 January 2018 and paid on 14 February 2018; and
  - an interim ordinary share dividend of 12.00 sen per ordinary share under single tier system totalling RM21,022,000 declared on 10 January 2018 and paid on 14 February 2018.

The Directors do not recommend any final dividend to be paid for the financial year under review.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

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## Directors' Report

for the year ended 31 December 2017

### DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Razali Bin Ismail (Chairman)  
Foo San Kan  
Dato' Dr. Thillainathan A/L Ramasamy  
Tan Sri Datuk (Dr.) Rafiah Binti Salim  
Tunku Zain Al-Abidin Ibni Tuanku Muhriz  
Zakri Bin Mohd Khir (Resigned on 25 May 2017)  
Ong Eng Chow (Retired on 24 May 2017)

### LIST OF DIRECTORS OF THE SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and up to the date of this report is as follows:

#### **Allianz Life Insurance Malaysia Berhad**

Tan Sri Razali Bin Ismail (Chairman)  
Foo San Kan  
Dato' Dr. Thillainathan A/L Ramasamy  
Tan Sri Datuk (Dr.) Rafiah Binti Salim  
Tunku Zain Al-Abidin Ibni Tuanku Muhriz  
Goh Ching Yin  
Joseph Kumar Gross (Appointed on 17 August 2017)  
Zakri Bin Mohd Khir (Resigned on 17 August 2017)

#### **Allianz General Insurance Company (Malaysia) Berhad**

Tan Sri Razali Bin Ismail (Chairman)  
Foo San Kan  
Dato' Dr. Thillainathan A/L Ramasamy  
Tan Sri Datuk (Dr.) Rafiah Binti Salim  
Tunku Zain Al-Abidin Ibni Tuanku Muhriz  
Goh Ching Yin  
Zakri Bin Mohd Khir

### DIRECTORS' INTERESTS IN SHARES

None of the Directors holding office as at 31 December 2017 had any interest in the ordinary shares and/or ICPS of the Company and of its related corporations during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.



## Directors' Report

for the year ended 31 December 2017

### HOLDING COMPANY

The Directors regard Allianz SE, a public listed company incorporated and domiciled in Germany, as the Company's holding company.

### SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

### ISSUE OF SHARES

During the financial year, the Company increased its ordinary shares to 174,582,938 by the issuance of 875,950 ordinary shares pursuant to the conversion of 875,950 ICPS. Accordingly, the ICPS of the Company was reduced to 171,622,847 as at 31 December 2017. As at 31 December 2017, the total share capital of the Company amounted to RM771,028,887.

All the new ordinary shares issued rank *pari passu* in all respects with the existing ordinary shares of the Company except that the new shares shall not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date is prior to the allotment date of the new ordinary shares.

Save as disclosed above, there were no other changes in the issued share capital of the Company during the financial year.

### OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

### INDEMNITY AND INSURANCE COSTS

The Group and the Company maintain a Directors' and Officers' Liability Insurance for the purpose of Section 289(5) of the Companies Act 2016 in Malaysia, throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company. The amount of insurance premium paid during the financial year amounted to RM50,252.

There were no indemnity given to, or insurance effected for auditors of the Group and the Company during the financial year.

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## Directors' Report

for the year ended 31 December 2017

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

- (i) all known bad debts have been written off and adequate provision made for doubtful debts;
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise; and
- (iii) there was adequate provision for insurance contract liabilities in the Group in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

At the date of this report, the Directors are not aware of any circumstances:-

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts and insurance contract liabilities in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:-

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year, other than those disclosed in Note 41 to the financial statements.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent liabilities and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2017 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

## Directors' Report

for the year ended 31 December 2017

### AUDITORS

The auditors, KPMG PLT, retire and are not seeking re-appointment as a result of mandatory rotation of holding company's auditors.

The auditors' remuneration is disclosed in Note 28 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:-

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.....  
**Tan Sri Datuk (Dr.) Rafiah Binti Salim**  
**Director**

.....  
**Dato' Dr. Thillainathan A/L Ramasamy**  
**Director**

Kuala Lumpur

Date: 22 February 2018

# Statements of Financial Position

as at 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Assets</b>					
Property, plant and equipment	3	<b>119,853</b>	118,864	<b>1,012</b>	600
Intangible assets	4	<b>360,600</b>	293,915	–	–
Investment properties	5	<b>19,914</b>	30,337	–	–
Investments in subsidiaries	6	–	–	<b>961,088</b>	1,128,699
Subordinated loan	7	–	–	<b>54,300</b>	54,300
Deferred tax assets	17	<b>23,275</b>	14,613	–	–
Reinsurance assets	8	<b>908,436</b>	980,910	–	–
Investments	9	<b>13,598,570</b>	12,218,075	<b>9,718</b>	–
Derivative financial assets	10	<b>25,537</b>	15,425	–	–
Current tax assets		<b>803</b>	170	–	67
Insurance receivables	11	<b>250,125</b>	270,173	–	–
Other receivables, deposits and prepayments	12	<b>260,971</b>	257,663	<b>85,384</b>	67,019
Deferred acquisition costs	13	<b>94,056</b>	86,928	–	–
Cash and cash equivalents		<b>934,537</b>	625,304	<b>43,745</b>	29,726
<b>Total assets</b>		<b>16,596,677</b>	14,912,377	<b>1,155,247</b>	1,280,411
<b>Equity</b>					
Share capital					
– Ordinary shares	14	<b>225,268</b>	173,707	<b>225,268</b>	173,707
– Irredeemable Convertible Preference Shares	14	<b>545,761</b>	172,499	<b>545,761</b>	172,499
Reserves	15	<b>2,364,484</b>	2,533,317	<b>280,145</b>	674,151
<b>Total equity attributable to owners of the Company</b>		<b>3,135,513</b>	2,879,523	<b>1,051,174</b>	1,020,357
<b>Liabilities</b>					
Insurance contract liabilities	16	<b>11,957,065</b>	10,768,504	–	–
Deferred tax liabilities	17	<b>234,743</b>	181,861	<b>183</b>	56
Derivative financial liabilities	10	<b>5,251</b>	13,873	–	–
Other financial liabilities		<b>20,710</b>	5,346	–	–
Insurance payables	18	<b>430,764</b>	372,450	–	–
Other payables and accruals	19	<b>473,745</b>	427,752	<b>103,790</b>	259,998
Benefits and claims liabilities	20	<b>331,296</b>	253,726	–	–
Current tax liabilities		<b>7,590</b>	9,342	<b>100</b>	–
<b>Total liabilities</b>		<b>13,461,164</b>	12,032,854	<b>104,073</b>	260,054
<b>Total equity and liabilities</b>		<b>16,596,677</b>	14,912,377	<b>1,155,247</b>	1,280,411

The accompanying notes form an integral part of these financial statements.



# Statements of Profit or Loss

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Operating revenue</b>	21	<b>4,800,990</b>	4,678,486	<b>83,806</b>	88,765
Gross earned premiums	22(a)	<b>4,233,736</b>	4,182,779	-	-
Premiums ceded to reinsurers	22(b)	<b>(305,453)</b>	(492,279)	-	-
<b>Net earned premiums</b>		<b>3,928,283</b>	3,690,500	-	-
Investment income	23	<b>567,254</b>	495,707	<b>83,806</b>	88,765
Realised gains and losses	24	<b>51,774</b>	60,857	<b>98</b>	45
Fair value gains and losses	25	<b>193,821</b>	(27,258)	-	-
Fee and commission income	26(a)	<b>37,926</b>	62,930	-	-
Other operating income		<b>25,741</b>	19,559	<b>558</b>	347
<b>Other income</b>		<b>876,516</b>	611,795	<b>84,462</b>	89,157
Gross benefits and claims paid	27(a)	<b>(2,340,172)</b>	(2,024,262)	-	-
Claims ceded to reinsurers	27(b)	<b>366,091</b>	363,906	-	-
Gross change in contract liabilities	27(c)	<b>(1,035,123)</b>	(887,952)	-	-
Change in contract liabilities ceded to reinsurers	27(d)	<b>(65,168)</b>	(129,610)	-	-
<b>Net benefits and claims</b>		<b>(3,074,372)</b>	(2,677,918)	-	-
Fee and commission expense	26(b)	<b>(651,756)</b>	(623,698)	-	-
Management expenses	28	<b>(603,825)</b>	(513,252)	<b>(4,903)</b>	(4,325)
Other operating expenses		<b>(37,563)</b>	(32,836)	<b>(2,556)</b>	(2,535)
<b>Other expenses</b>		<b>(1,293,144)</b>	(1,169,786)	<b>(7,459)</b>	(6,860)
<b>Profit before tax</b>		<b>437,283</b>	454,591	<b>77,003</b>	82,297
Tax expense	29	<b>(149,321)</b>	(142,460)	<b>(537)</b>	(317)
<b>Profit for the year</b>		<b>287,962</b>	312,131	<b>76,466</b>	81,980

The accompanying notes form an integral part of these financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2017

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Profit for the year</b>		<b>287,962</b>	312,131	<b>76,466</b>	81,980
<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	15.2	-	9,342	-	-
Tax effects thereon	29.2	-	(1,466)	-	-
		-	7,876	-	-
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale financial assets	15.3	<b>17,987</b>	(3,604)	-	-
Tax effects thereon	29.2	<b>(4,310)</b>	866	-	-
		<b>13,677</b>	(2,738)	-	-
<b>Total other comprehensive income for the year, net of tax</b>		<b>13,677</b>	5,138	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>301,639</b>	317,269	<b>76,466</b>	81,980
Profit for the year attributable to:					
Owners of the Company		<b>287,962</b>	312,131	<b>76,466</b>	81,980
Total comprehensive income attributable to:					
Owners of the Company		<b>301,639</b>	317,269	<b>76,466</b>	81,980
<b>Basic earnings per ordinary share (sen)</b>	30(a)	<b>165.33</b>	182.27	-	-
<b>Diluted earnings per ordinary share (sen)</b>	30(b)	<b>83.28</b>	90.80	-	-

The accompanying notes form an integral part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Group	Note	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair Value reserve RM'000	Life non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
		Non-distributable							
<b>At 1 January 2016</b>		169,309	176,897	424,823	34,058	(770)	449,104	1,367,899	2,621,320
Revaluation of property, plant and equipment		-	-	-	7,876	-	-	-	7,876
Fair value of available-for-sale financial assets		-	-	-	-	(2,738)	-	-	(2,738)
Total other comprehensive income/(loss) for the year		-	-	-	7,876	(2,738)	-	-	5,138
Profit for the year		-	-	-	-	-	75,412	236,719	312,131
<b>Total comprehensive income/(loss) for the year</b>		-	-	-	7,876	(2,738)	75,412	236,719	317,269
<i>Contributions by and distributions to owners of the Company</i>									
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		4,398	(4,398)	-	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	-	(59,066)	(59,066)
<b>Total transactions with owners of the Company</b>		4,398	(4,398)	-	-	-	-	(59,066)	(59,066)
<b>At 31 December 2016</b>		173,707	172,499	424,823	41,934	(3,508)	524,516	1,545,552	2,879,523
	Note 14	Note 14	Note 14	Note 15.1	Note 15.2	Note 15.3	Note 15	Note 15	Note 15

## Consolidated Statement of Changes in Equity

for the year ended 31 December 2017

Group	Note	Attributable to owners of the Company					Total equity		
		Share capital	Preference shares	Share premium	Revaluation reserve	Fair Value reserve		Life non-participating fund surplus*	Retained earnings
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>At 1 January 2017</b>		173,707	172,499	424,823	41,934	(3,508)	524,516	1,545,552	2,879,523
Revaluation of property, plant and equipment		-	-	-	-	-	-	-	-
Fair value of available-for-sale financial assets		-	-	-	-	13,677	-	-	13,677
Total other comprehensive income for the year		-	-	-	-	13,677	-	-	13,677
Profit for the year		-	-	-	-	-	87,329	200,633	287,962
<b>Total comprehensive income for the year</b>		-	-	-	-	13,677	87,329	200,633	301,639
<i>Contributions by and distributions to owners of the Company</i>									
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		2,786	(2,786)	-	-	-	-	-	-
Transfers in accordance with Section 618(2) of the Companies Act 2016		48,775	376,048	(424,823)	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	-	(45,649)	(45,649)
<b>Total transactions with owners of the Company</b>		51,561	373,262	(424,823)	-	-	-	(45,649)	(45,649)
<b>At 31 December 2017</b>		225,268	545,761	-	41,934	10,169	611,845	1,700,536	3,135,513

Note 14 Note 14 Note 15.1 Note 15.2 Note 15.3 Note 15 Note 15

\* 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 financial statements.

# Statement of Changes in Equity

for the year ended 31 December 2017

		← Attributable to owners of the Company →				
		← Non-distributable →		Distributable		
Company	Note	Share capital RM'000	Preference shares RM'000	Shares premium RM'000	Retained earnings RM'000	Total equity RM'000
<b>At 1 January 2016</b>		169,309	176,897	424,823	226,414	997,443
Profit for the year		–	–	–	81,980	81,980
<b>Total comprehensive income for the year</b>		–	–	–	81,980	81,980
<i>Contributions by and distributions to owners of the Company</i>						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		4,398	(4,398)	–	–	–
Dividends to owners of the Company	31	–	–	–	(59,066)	(59,066)
<b>Total transactions with owners of the Company</b>		4,398	(4,398)	–	(59,066)	(59,066)
<b>At 31 December 2016/1 January 2017</b>		<b>173,707</b>	<b>172,499</b>	<b>424,823</b>	<b>249,328</b>	<b>1,020,357</b>
Profit for the year		–	–	–	<b>76,466</b>	<b>76,466</b>
<b>Total comprehensive income for the year</b>		–	–	–	<b>76,466</b>	<b>76,466</b>
<i>Contributions by and distributions to owners of the Company</i>						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		<b>2,786</b>	<b>(2,786)</b>	–	–	–
Transfers in accordance with Section 618(2) of the Companies Act 2016		<b>48,775</b>	<b>376,048</b>	<b>(424,823)</b>	–	–
Dividends to owners of the Company	31	–	–	–	<b>(45,649)</b>	<b>(45,649)</b>
<b>Total transactions with owners of the Company</b>		<b>51,561</b>	<b>373,262</b>	<b>(424,823)</b>	<b>(45,649)</b>	<b>(45,649)</b>
<b>At 31 December 2017</b>		<b>225,268</b>	<b>545,761</b>	–	<b>280,145</b>	<b>1,051,174</b>
		Note 14	Note 14	Note 15.1	Note 15	

The accompanying notes form an integral part of these financial statements.



# Statements of Cash Flows

for the year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Cash flows from operating activities</b>				
Profit before tax	<b>437,283</b>	454,591	<b>77,003</b>	82,297
<i>Adjustments for:</i>				
Investment income	<b>(567,254)</b>	(495,707)	<b>(83,806)</b>	(88,765)
Interest income	<b>(905)</b>	(636)	-	-
Interest expense	<b>4,689</b>	6,161	<b>2,335</b>	2,341
Gain on capital return on winding up of a subsidiary	-	-	<b>(286)</b>	-
Realised gains recorded in profit or loss	<b>(51,567)</b>	(60,807)	-	-
Fair value gains on financial investments recorded in profit or loss	<b>(202,812)</b>	(4,154)	-	-
Purchase of available-for-sale ("AFS") financial investments	<b>(1,251,562)</b>	(1,673,702)	-	-
Maturity of AFS financial investments	<b>292,500</b>	470,500	-	-
Proceeds from sale of AFS financial investments	<b>589,362</b>	1,132,344	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	<b>(698,667)</b>	(775,737)	-	-
Maturity of DUIR financial investments	<b>190,000</b>	130,000	-	-
Proceeds from sale of DUIR financial investments	<b>124,963</b>	189,552	-	-
Purchase of held for trading ("HFT") financial investments	<b>(1,179,071)</b>	(1,349,148)	-	-
Maturity of HFT financial investments	<b>57,500</b>	67,500	-	-
Proceeds from sale of HFT financial investments	<b>586,952</b>	593,912	-	-
(Purchase)/Disposal of derivative financial investments	<b>(442)</b>	2,360	-	-
Change in loans and receivables	<b>269,199</b>	(155,271)	<b>(9,718)</b>	6,540
<b>Non-cash items:</b>				
Change in fair value of investment properties	<b>2,409</b>	2,008	-	-
Change in fair value of AFS financial assets	<b>(101,770)</b>	7,890	-	-
Unrealised foreign exchange loss/(gain)	<b>2,008</b>	(205)	-	-
Depreciation of property, plant and equipment	<b>16,776</b>	17,339	<b>277</b>	155
Amortisation of intangible assets	<b>18,412</b>	16,256	-	-
Gain on disposal of property, plant and equipment	<b>(207)</b>	(50)	<b>(98)</b>	(45)
Impairment loss on AFS financial investments	<b>6,582</b>	29,404	-	-
Property, plant and equipment written off	<b>12</b>	29	-	1
Insurance and other receivables:				
- Bad debts written off	<b>1,517</b>	1,284	-	-
- Allowance for impairment loss	<b>37,557</b>	1,813	-	-
- Bad debts recovered	<b>(193)</b>	(160)	-	-
<b>Operating (loss)/gain before changes in working capital</b>	<b>(1,416,729)</b>	(1,392,634)	<b>(14,293)</b>	2,524

## Statements of Cash Flows

for the year ended 31 December 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Changes in working capital:</b>				
Change in reinsurance assets	72,474	148,395	-	-
Change in insurance receivables	(18,798)	(13,020)	-	-
Change in other receivables, deposits and prepayments	(2,599)	(22,433)	3,377	2,342
Change in deferred acquisition costs	(7,128)	(4,729)	-	-
Change in insurance contract liabilities	1,188,561	879,883	-	-
Change in other financial liabilities	15,364	4,387	-	-
Change in insurance payables	58,314	(20,718)	-	-
Change in other payables and accruals	31,110	43,437	(1,354)	(254)
Change in benefits and claims liabilities	77,570	59,163	-	-
<b>Cash (used in)/generated from operations</b>	<b>(1,861)</b>	<b>(318,269)</b>	<b>(12,270)</b>	<b>4,612</b>
Tax paid	(120,646)	(116,979)	(243)	(268)
Dividends received	52,824	39,843	60,288	25,025
Interest income received	509,024	446,375	1,776	1,052
<b>Net cash from operating activities</b>	<b>439,341</b>	<b>50,970</b>	<b>49,551</b>	<b>30,421</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposal of property, plant and equipment	510	57	98	45
Acquisition of property, plant and equipment	(13,666)	(15,687)	(689)	(125)
Acquisition of intangible assets	(81,497)	(5,704)	-	-
Proceeds from winding up of a subsidiary	-	-	514	-
<b>Net cash used in investing activities</b>	<b>(94,653)</b>	<b>(21,334)</b>	<b>(77)</b>	<b>(80)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to owners of the Company	(34,263)	(24,803)	(34,263)	(24,803)
Interest paid	(1,192)	(1,177)	(1,192)	(1,177)
<b>Net cash used in financing activities</b>	<b>(35,455)</b>	<b>(25,980)</b>	<b>(35,455)</b>	<b>(25,980)</b>
<b>Net increase in cash and cash equivalents</b>	<b>309,233</b>	<b>3,656</b>	<b>14,019</b>	<b>4,361</b>
Cash and cash equivalents at 1 January	625,304	621,648	29,726	25,365
<b>Cash and cash equivalents at 31 December</b>	<b>934,537</b>	<b>625,304</b>	<b>43,745</b>	<b>29,726</b>
<b>Cash and cash equivalents comprise:</b>				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	837,022	558,972	40,623	28,061
Cash and bank balances	97,515	66,332	3,122	1,665
	<b>934,537</b>	<b>625,304</b>	<b>43,745</b>	<b>29,726</b>

Included in the fixed and call deposits are RM78,350,000 (2016: RM76,029,000) held as cash collateral for guarantees issued on behalf of the policyholders (Note 18).

The accompanying notes form an integral part of these financial statements.

# Notes to the Financial Statements

## PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

Allianz Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Level 29, Menara Allianz Sentral  
203, Jalan Tun Sambanthan  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2017 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2017 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6.

The holding company is Allianz SE, a public listed company incorporated and domiciled in Germany.

The financial statements were authorised for issue by the Board of Directors on 22 February 2018.

## Notes to the Financial Statements

### 1. BASIS OF PREPARATION

#### 1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Financial Services Act, 2013 ("FSA") and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018***

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

#### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019***

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

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## Notes to the Financial Statements

### 1. BASIS OF PREPARATION (CONTINUED)

#### 1.1 Statement of compliance (continued)

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021***

- MFRS 17, *Insurance Contracts*

##### ***MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1, Amendments to MFRS 2 and Amendments to MFRS 128 which are not applicable to the Group and the Company and MFRS 9 which the Group is eligible for temporary exemption that permits, but does not require, the insurer to apply MFRS 139, *Financial Instruments: Recognition and Measurement* rather than MFRS 9 for annual period beginning before 1 January 2021.
- from the annual period beginning on 1 January 2019 for those accounting standard, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 11, Amendments to MFRS 123 and Amendments to MFRS 128 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2021 for the accounting standard that is effective for annual periods beginning on or after 1 January 2021, except for MFRS 17 which is not applicable to the Company.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company except as mentioned below:

##### ***MFRS 9, Financial Instruments***

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 9 and the Group intends to adopt MFRS 9 together with MFRS 17 on 1 January 2021.

The Company has assessed the impact of adopting MFRS 9 and does not expect the application of MFRS 9 to have a material impact to the financial statements.



## Notes to the Financial Statements

### 1. BASIS OF PREPARATION (CONTINUED)

#### 1.1 Statement of compliance (continued)

##### **MFRS 16, Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

##### **MFRS 17, Insurance Contracts**

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts*.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 17.

#### 1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

#### 1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

#### 1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 2.3.1 – Valuation of owner occupied properties
- Note 2.6 and 2.26 – Valuation of financial instruments
- Note 2.7.3 – Determination of the recoverable amounts of cash-generating units and other intangible assets
- Note 2.16.5 – Valuation of general insurance contract liabilities
- Note 2.17.5 – Valuation of life insurance contract liabilities

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## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

#### 2.1 Basis of consolidation

##### 2.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

##### 2.1.2 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### 2.1.3 Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.1 Basis of consolidation (continued)

##### 2.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

##### 2.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

##### 2.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

#### 2.2 Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

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## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Property, plant and equipment

##### 2.3.1 Recognition and measurement

Freehold land and work-in-progress are stated at cost less any accumulated impairment losses. Other items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "realised gains and losses" in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.3 Property, plant and equipment (continued)

##### 2.3.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

##### 2.3.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	Over lease period
Buildings	50 years
Office equipment, computers, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

#### 2.4 Intangible assets

##### 2.4.1 Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

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## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.4 Intangible assets (continued)

##### 2.4.2 Development costs

Expenditure incurred on software development is capitalised, only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

##### 2.4.3 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

##### 2.4.4 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

##### 2.4.5 Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

Intangible assets with finite useful lives are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	5 years
Other intangible assets	11-15 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.5 Leased assets

##### 2.5.1 Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

##### 2.5.2 Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

#### 2.6 Financial instruments

##### 2.6.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

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## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Financial instruments (continued)

##### 2.6.2 Financial instruments categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

##### *Financial assets*

##### **(a) Financial assets at fair value through profit or loss**

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

##### **(b) Loans and receivables, excluding insurance receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market that include loans, other receivables, deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

##### **(c) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Financial instruments (continued)

##### 2.6.2 Financial instruments categories and subsequent measurement (continued)

###### *Financial assets (continued)*

###### (d) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective interest method.

If there is objective evidence that the insurance receivable is impaired, the carrying amount of the insurance receivable will be reduced accordingly and the impairment loss recognised in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.7.2.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.6.6 have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (See Note 2.7).

###### *Financial liabilities*

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Financial instruments (continued)

##### 2.6.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts, if any, are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

##### 2.6.4 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

##### 2.6.5 Hedge accounting

###### ***Cash flow hedge***

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.



## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.6 Financial instruments (continued)

##### 2.6.6 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

#### 2.7 Impairment

##### 2.7.1 Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7.2 below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the financial asset's acquisition cost (net of any principal repayment and amortisation) and the financial asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Impairment (continued)

##### 2.7.1 Financial assets, excluding insurance receivables (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent financial period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

##### 2.7.2 Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

##### 2.7.3 Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (known as "cash-generating unit"). For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.7 Impairment (continued)

##### 2.7.3 Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation reserve. When an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is recognised in profit or loss.

#### 2.8 Investment properties

##### 2.8.1 Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.8 Investment properties (continued)

##### 2.8.1 Investment properties carried at fair value (continued)

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

##### 2.8.2 Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income and accumulated in equity as a revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

##### 2.8.3 Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

#### 2.9 Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.10 Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hands, balances and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.6.2 (b).

#### 2.11 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

##### 2.11.1 Ordinary shares

Ordinary share capital is classified as equity.

##### 2.11.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

##### 2.11.3 Dividends on ordinary share capital

Dividends on ordinary share capital are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

#### 2.12 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.12 Provisions (continued)

##### *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

#### 2.13 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

#### 2.14 Product classification

Product classification applies to the Group's general insurance and life insurance subsidiaries.

The insurance subsidiaries issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiary determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.14 Product classification (continued)

Insurance and investment contracts (if any) are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling are required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

#### 2.15 Reinsurance

Reinsurance applies to the Group's general insurance and life insurance subsidiaries.

Insurance risk is ceded in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in profit or loss.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.15 Reinsurance (continued)

The insurance subsidiary also assumes reinsurance risk in the normal course of business for general (non-life) insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

#### 2.16 General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

##### 2.16.1 Premium income

###### (a) Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

###### (b) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.16 General insurance underwriting results (continued)

##### 2.16.2 Unearned premium reserves ("UPR")

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward treaty business
- Non-annual policies are time-apportioned over the period of the risks

##### 2.16.3 Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the end of the reporting period.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the end of the reporting period, using a mathematical method of estimation.

##### 2.16.4 Acquisition costs and deferred acquisition cost ("DAC")

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.16 General insurance underwriting results (continued)

##### 2.16.5 General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

##### *Claims liabilities*

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the insurance subsidiary, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date (See Note 2.25.1). These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall insurance subsidiary level. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

##### *Premium liabilities*

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD calculated at the overall insurance subsidiary level.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred for administering these policies and settling the relevant claims, and expected future premium refunds.

#### 2.17 Life insurance underwriting results

##### 2.17.1 Surplus of Life fund

The surplus transferable from the Life fund to profit or loss of Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 by the insurance subsidiary's appointed actuary.

##### 2.17.2 Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit or loss and reported as outstanding premiums in the statements of financial position.



## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Life insurance underwriting results (continued)

##### 2.17.3 Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

##### 2.17.4 Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

##### 2.17.5 Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method (See Note 2.25.2). The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of the participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the insurance fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.17 Life insurance underwriting results (continued)

##### 2.17.5 Life insurance contract liabilities (continued)

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums or unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract.

The liability is derecognised when the contract expires, is discharged or is cancelled.

##### 2.17.6 Investment contract liabilities

Investment contracts (if any) are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are remeasured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statements of financial position.

Fair value adjustments are performed at each reporting date and are recognised in profit or loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each investment-linked fund multiplied by the unit-price of those funds at the end of the reporting period. The fund assets and fund liabilities used to determine the unit-prices at the end of the reporting period are adjusted to take into account the effect of deferred tax on unrealised gains on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

#### 2.18 Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.19 Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurance in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred.

#### 2.20 Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### 2.20.1 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except where an interest bearing financial investment is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

##### 2.20.2 Rental income

Rental income from investment properties and self-occupied properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis. Rental income from subleased property is recognised as other income.

##### 2.20.3 Dividend income

Dividend income is recognised in profit or loss on the date the Group's and the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

##### 2.20.4 Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

#### 2.21 Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.22 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, insurance contract liabilities or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax base. Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.8.1, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### 2.23 Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

## Notes to the Financial Statements

### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

#### 2.25 Significant accounting judgements, estimates and assumptions

##### 2.25.1 Valuation of general insurance claims liabilities

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the insurance subsidiary has not yet been notified. The valuation of IBNR reserves is carried out by an Appointed Actuary approved by BNM using her professional judgement in applying actuarial methodology and assumptions, based on the insurance subsidiary's current and past claims experience, taking into account the insurance subsidiary's underwriting practice and industry experience. IBNR reserves are estimated based on actuarial statistical projections of the expected cost of the ultimate settlement and administration of claims. The projections are based on available information at the time and include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

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### 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 2.25 Significant accounting judgements, estimates and assumptions (continued)

##### 2.25.2 Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM.

The life insurance contract liability is valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The expected future cash flow is determined using best estimate assumptions and with due regard to significant recent experience.

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies and non-unit actuarial liabilities of investment-linked policies.

For a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liabilities are calculated as the higher of unearned premium reserve or the unexpired risk reserve.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy, non-unit actuarial liability of an investment-linked policy and guaranteed benefits insurance liability of participating policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund is used for all cash flows to determine the total benefit liability of participating policies.

##### 2.26 Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date the event or change in circumstances that caused the transfers.

## Notes to the Financial Statements

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Land and buildings' RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
<b>Cost/Valuation</b>									
OVERVIEW									
		25,070	21,071	1,459	102,387	3,414	37,050	6,006	196,457
CORPORATE PROFILE		-	-	-	6,677	1,011	806	7,193	15,687
		-	-	-	(21)	(453)	-	-	(474)
TO OUR STAKEHOLDERS		-	-	-	(4,821)	-	(46)	-	(4,867)
	4	-	-	-	4,362	-	1,369	(8,952)	(3,221)
SUSTAINABILITY REPORT 2017									
		-	17,681	-	-	-	-	-	17,681
	5	-	17,681	-	-	-	-	-	17,681
CORPORATE GOVERNANCE AND ACCOUNTABILITY		5,486	217	200	-	-	-	-	5,903
2017 HIGHLIGHTS									
		<b>30,556</b>	<b>38,969</b>	<b>1,659</b>	<b>108,584</b>	<b>3,972</b>	<b>39,179</b>	<b>4,247</b>	<b>227,166</b>
		-	-	-	6,110	325	675	6,556	13,666
		-	-	-	(7)	(1,416)	-	-	(1,423)
FINANCIAL STATEMENTS		-	-	-	(239)	-	(6)	-	(245)
	4	-	-	-	1,097	-	651	(5,348)	(3,600)
AGM INFORMATION									
		-	8,014	-	-	-	-	-	8,014
	5	-	8,014	-	-	-	-	-	8,014
		<b>30,556</b>	<b>46,983</b>	<b>1,659</b>	<b>115,545</b>	<b>2,881</b>	<b>40,499</b>	<b>5,455</b>	<b>243,578</b>

\* The carrying amounts of land and buildings are not segregated as the required information is not available.

# Certain work-in-progress were reclassified as software development costs (intangible assets) (See Note 4).

## Notes to the Financial Statements

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
<b>Depreciation</b>									
At 1 January 2016		668	6,653	144	70,298	2,376	19,568	-	99,707
Depreciation for the year	28	262	997	18	12,383	498	3,181	-	17,399
Disposal		-	-	-	(14)	(453)	-	-	(467)
Written off		-	-	-	(4,797)	-	(41)	-	(4,838)
Elimination of accumulated depreciation on revaluation		(688)	(2,652)	(99)	-	-	-	-	(3,439)
At 31 December 2016/ 1 January 2017		<b>242</b>	<b>4,998</b>	<b>63</b>	<b>77,870</b>	<b>2,421</b>	<b>22,708</b>	-	<b>108,302</b>
Depreciation for the year	28	<b>303</b>	<b>1,296</b>	<b>21</b>	<b>11,602</b>	<b>463</b>	<b>3,091</b>	-	<b>16,776</b>
Disposals		-	-	-	(2)	(1,118)	-	-	(1,120)
Written off		-	-	-	(227)	-	(6)	-	(233)
At 31 December 2017		<b>545</b>	<b>6,294</b>	<b>84</b>	<b>89,243</b>	<b>1,766</b>	<b>25,793</b>	-	<b>123,725</b>
<b>Carrying amounts</b>									
At 1 January 2016		24,402	14,418	1,315	32,089	1,038	17,482	6,006	96,750
At 31 December 2016/ 1 January 2017		<b>30,314</b>	<b>33,971</b>	<b>1,596</b>	<b>30,714</b>	<b>1,551</b>	<b>16,471</b>	<b>4,247</b>	<b>118,864</b>
At 31 December 2017		<b>30,011</b>	<b>40,689</b>	<b>1,575</b>	<b>26,302</b>	<b>1,115</b>	<b>14,706</b>	<b>5,455</b>	<b>119,853</b>

\* The carrying amounts of land and buildings are not segregated as the required information is not available.

## Notes to the Financial Statements

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in-progress RM'000	Total RM'000
<b>Cost</b>						
At 1 January 2016		825	895	82	6	1,808
Additions		124	–	–	1	125
Disposals		–	(453)	–	–	(453)
Written off		(2)	–	–	–	(2)
Reclassification		3	–	–	(3)	–
At 31 December 2016/ 1 January 2017		<b>950</b>	<b>442</b>	<b>82</b>	<b>4</b>	<b>1,478</b>
Additions		<b>689</b>	–	–	–	<b>689</b>
Disposals		–	<b>(442)</b>	–	–	<b>(442)</b>
Written off		<b>(10)</b>	–	–	–	<b>(10)</b>
At 31 December 2017		<b>1,629</b>	–	<b>82</b>	<b>4</b>	<b>1,715</b>
<b>Depreciation</b>						
At 1 January 2016		268	895	14	–	1,177
Depreciation for the year	28	147	–	8	–	155
Disposals		–	(453)	–	–	(453)
Written off		(1)	–	–	–	(1)
At 31 December 2016/ 1 January 2017		<b>414</b>	<b>442</b>	<b>22</b>	–	<b>878</b>
Depreciation for the year	28	<b>269</b>	–	<b>8</b>	–	<b>277</b>
Disposals		–	<b>(442)</b>	–	–	<b>(442)</b>
Written off		<b>(10)</b>	–	–	–	<b>(10)</b>
At 31 December 2017		<b>673</b>	–	<b>30</b>	–	<b>703</b>
<b>Carrying amounts</b>						
At 1 January 2016		557	–	68	6	631
At 31 December 2016/ 1 January 2017		<b>536</b>	–	<b>60</b>	<b>4</b>	<b>600</b>
At 31 December 2017		<b>956</b>	–	<b>52</b>	<b>4</b>	<b>1,012</b>

## Notes to the Financial Statements

### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### 3.1 Revaluation of properties

The Group's land and buildings were revalued in 2015 and 2016 by external independent professional qualified valuers using the Comparison Method.

Had the land and buildings of the Group been carried under the cost model, their carrying amounts would have been as follows:

Group	2017 RM'000	2016 RM'000
Land	11,488	11,598
Buildings	30,352	23,605
Land and buildings	1,286	1,302
	43,126	36,505

#### 3.2 Fair value information

Fair value of land and buildings are categorised as follows:

Group	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	–	30,011	–	30,011	–	30,314	–	30,314
Buildings	–	40,689	–	40,689	–	33,971	–	33,971
Land and buildings	–	1,575	–	1,575	–	1,596	–	1,596
	–	72,275	–	72,275	–	65,881	–	65,881

#### Level 2 fair values

Level 2 fair values of land and buildings have been generally derived using the Comparison Method. Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location, property size, shape and terrain of land, tenure, title restriction if any, availability of infrastructure, age and condition of building, finishes and services, and other relevant characteristics.



## Notes to the Financial Statements

### 4. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
<b>Cost</b>					
		244,600	24,273	139,428	408,301
		-	5,704	-	5,704
	3	-	3,221	-	3,221
		<b>244,600</b>	<b>33,198</b>	<b>139,428</b>	<b>417,226</b>
		-	<b>14,497</b>	<b>67,000</b>	<b>81,497</b>
	3	-	<b>3,600</b>	-	<b>3,600</b>
		-	-	<b>(88,933)</b>	<b>(88,933)</b>
		<b>244,600</b>	<b>51,295</b>	<b>117,495</b>	<b>413,390</b>
<b>Amortisation</b>					
		-	18,809	88,246	107,055
	28	-	2,818	13,438	16,256
		-	<b>21,627</b>	<b>101,684</b>	<b>123,311</b>
	28	-	<b>5,702</b>	<b>12,710</b>	<b>18,412</b>
		-	-	<b>(88,933)</b>	<b>(88,933)</b>
		-	<b>27,329</b>	<b>25,461</b>	<b>52,790</b>
<b>Carrying amounts</b>					
		244,600	5,464	51,182	301,246
		<b>244,600</b>	<b>11,571</b>	<b>37,744</b>	<b>293,915</b>
		<b>244,600</b>	<b>23,966</b>	<b>92,034</b>	<b>360,600</b>
		Note 4.1	Note 4.2	Note 4.3	

## Notes to the Financial Statements

### 4. INTANGIBLE ASSETS (CONTINUED)

#### 4.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

<b>Group</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
Allianz Life Insurance Malaysia Berhad ("ALIM")	<b>4,990</b>	4,990
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/Bright Mission Berhad ("BMB")	<b>239,610</b>	239,610
	<b>244,600</b>	244,600

AGIC and BMB (voluntarily wound up in 2017) (formerly known as Commerce Assurance Berhad ("CAB")) entered into a Business Transfer Agreement dated 17 September 2008 ("BTA") to undertake a scheme of transfer under Part XI of the Insurance Act, 1996 as approved by BNM ("Scheme"), which involved the transfer and vesting by CAB to AGIC of CAB's entire general insurance business, undertaking of assets including CAB's liabilities and obligations save for the specified excluded assets and liabilities as detailed in the BTA. The Scheme was confirmed by the High Court of Malaya on 9 December 2008 and took effect on 1 January 2009. Consequently, the carrying amount of goodwill arising from the acquisition of CAB had been allocated to the entire integrated general insurance business of the Group.

#### ***Impairment test for cash-generating unit ("CGU") containing goodwill***

For goodwill attributable to the acquisition of CAB, following the Scheme on 1 January 2009, the carrying amount of goodwill had been allocated to the entire integrated general insurance business of the Group as one CGU, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The estimated recoverable amount is calculated based on value in use, determined by discounted cash flows generated by the general insurance business using approved 5-year financial budgets projected to perpetuity.

The following key assumptions have been used in the cash flow projections in respect of the determining the value in use for CGU containing goodwill:

#### **Key assumptions**

Discount rate – post tax	11.2%
Terminal growth rate	3.0%

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the estimated recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM calculated by an appointed actuary. ALIM computes the Embedded Value using market consistent embedded value approach whereby the Embedded Value is the present value of future shareholders distributable profits after tax discounted at the risk free yield curve with volatility adjustment plus the Net Assets Value. The projected future cash flows are based on the best estimate of assumptions, either derived from the operating unit experience or industry experience.

The estimated recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised.

## Notes to the Financial Statements

### 4. INTANGIBLE ASSETS (CONTINUED)

#### 4.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS"), Alternate Front End System ("ALPHA"), Business Intelligence System ("BI") and digital application. These systems are integrated systems designed to improve the efficiency of the business activities of the subsidiaries. The costs of developed software are amortised over a period of five years.

#### 4.3 Other intangible assets

The carrying amounts of other intangible assets are as follows:

Group	Note	2017 RM'000	2016 RM'000
The Bancassurance Agreements:			
– General insurance business	4.3.1	64,767	5,932
– Life insurance business	4.3.2	27,267	31,812
		<b>92,034</b>	<b>37,744</b>

##### 4.3.1 The Bancassurance Agreement – General insurance business

The intangible asset is in relation to the exclusive bancassurance agreement with Standard Chartered Bank which is effective from 1 July 2017 for the distribution of the Group's general insurance products.

The fee for this exclusive right is amortised over its useful life of 15 years using the straight-line method. In the impairment assessment conducted by the Company, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 15 years using the discounting cash flow model.

The following key assumptions have been used in cash flow projections in respect of Bancassurance Agreement:

##### Key assumptions

Bancassurance average annualised gross written premium growth rate	19.0%
Discount rate – post tax	11.2%

##### 4.3.2 The Bancassurance Agreement – Life insurance business

The intangible asset is in relation to the exclusive bancassurance agreement which provides the Group's life insurance entity with an exclusive right to the use of the bancassurance network of a local commercial bank to sell, market and promote conventional life product. ALIM and the bank had on 9 May 2014 executed the amendment agreement to extend the original term under the Exclusive Distribution Agreement, from ten years to eleven years.

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### 4. INTANGIBLE ASSETS (CONTINUED)

#### 4.3 Other intangible assets (continued)

##### 4.3.2 The Bancassurance Agreement – Life insurance business (continued)

The fee for this exclusive right is amortised over its useful life of 11 years using the straight-line method. In the impairment assessment conducted by ALIM, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 11 years using the discounting cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

##### Key assumptions

Bancassurance average annualised new premium growth rate	4.52% per annum
Discount rate – post tax	11.2%

##### 4.3.3 Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

### 5. INVESTMENT PROPERTIES

Group	Note	2017 RM'000	2016 RM'000
At 1 January		<b>30,337</b>	50,026
Transfer to property, plant and equipment	3	<b>(8,014)</b>	(17,681)
Change in fair value recognised in profit or loss	25	<b>(2,409)</b>	(2,008)
<b>At 31 December</b>		<b>19,914</b>	30,337
Included in the above are:			
At fair value			
Freehold land		<b>1,000</b>	1,000
Buildings		<b>18,914</b>	29,337
		<b>19,914</b>	30,337

The fair values of investment properties are determined by external independent professional qualified valuers using the Comparison Method.

## Notes to the Financial Statements

### 5. INVESTMENT PROPERTIES (CONTINUED)

The following are recognised in profit or loss in respect of investment properties:

Group	Note	2017 RM'000	2016 RM'000
Rental income	23	130	128
Direct operating expenses			
– income generating investment properties		(3)	(2)

#### 5.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	2017				2016			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land	–	1,000	–	1,000	–	1,000	–	1,000
Buildings	–	18,914	–	18,914	–	29,337	–	29,337
	–	19,914	–	19,914	–	30,337	–	30,337

#### Level 2 fair value

Level 2 fair values of land and buildings have been generally derived using the Comparison Method. Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location, property size, shape and terrain of land, tenure, title restriction if any, availability of infrastructure, age and condition of building, finishes and services, and other relevant characteristics.

### 6. INVESTMENTS IN SUBSIDIARIES

Company	2017 RM'000	2016 RM'000
<b>At cost</b>		
Unquoted shares	961,088	1,128,699

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### 6. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The principal activities of the subsidiaries, the place of incorporation and the interest of the Company are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest	
			2017 %	2016 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance and investment-linked business	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance business	Malaysia	100	100
Bright Mission Berhad ("BMB")	Voluntary winding up	Malaysia	–	100

On 26 December 2017, the Company liquidated Bright Mission Berhad ("BMB"), a subsidiary of the Company by way of members' voluntary winding up.

The members' voluntary winding up of BMB does not have any material effect on the earnings and net assets of the Group and the Company for the financial year ended 31 December 2017.

### 7. SUBORDINATED LOAN

#### 7.1 Subordinated loan to subsidiary company – Company

##### *Subordinated loan to Allianz Life Insurance Malaysia Berhad ("ALIM")*

Company	2017 RM'000	2016 RM'000
<b>Non-current</b>		
Subordinated loan to a subsidiary	54,300	54,300

The Company has on 7 January 2013, entered into a facility agreement ("Facility Agreement") with ALIM to make available to ALIM, a subordinated loan of up to the aggregate principal amount of RM73.0 million only ("Facility") upon fulfillment of the terms and conditions as stipulated in the Facility Agreement. The subordinated loan is unsecured, subject to interest at 4.5% per annum and repayable in 2023.

The proceeds from the Facility is utilised by ALIM as subordinated loan for general working capital purposes including business expansion.

## Notes to the Financial Statements

### 8. REINSURANCE ASSETS

Group	Note	2017 RM'000	2016 RM'000
<b>Non-current</b>			
<b>Reinsurance of insurance contracts</b>			
General insurance claims liabilities		264,972	300,522
Life insurance actuarial liabilities		52,665	59,911
		<b>317,637</b>	360,433
<b>Current</b>			
<b>Reinsurance of insurance contracts</b>			
General insurance claims liabilities		430,933	453,340
General insurance premium liabilities		159,767	167,073
Life insurance actuarial liabilities		99	64
		<b>590,799</b>	620,477
<b>Total</b>	16	<b>908,436</b>	980,910

### 9. INVESTMENTS

Group	2017 RM'000	2016 RM'000
Malaysian government securities	3,639,980	3,365,452
Malaysian government guaranteed bonds	2,665,738	2,317,617
Ringgit denominated bonds by foreign issuers outside Malaysia	65,667	100,914
Quoted equity securities of corporations in Malaysia	1,875,382	1,544,889
Quoted equity securities of corporations outside Malaysia	4,507	24,916
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	4,391,094	3,668,337
Unquoted bonds of corporations outside Malaysia	115,469	116,765
Quoted unit trusts in Malaysia	57,726	54,458
Unquoted unit trusts in Malaysia	19,375	6,023
Unquoted unit trusts outside Malaysia	26,945	12,633
Structured deposits and negotiable certificate of deposits with licensed financial institutions	257,814	257,999
Malaysian government guaranteed loans	190,000	190,000
Mortgage loans	2,117	3,926
Policy loans	12,905	14,588
Automatic premium loans	84,561	89,041
Fixed and call deposits with: Licensed financial institutions	187,143	448,370
	<b>13,598,570</b>	12,218,075

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## Notes to the Financial Statements

### 9. INVESTMENTS (CONTINUED)

Financial investments are summarised by categories as follows:

Group	Note	← Current →		← Non-current →		← Total →	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Available-for-sale financial assets ("AFS")	(a)	<b>6,779,502</b>	6,258,511	–	–	<b>6,779,502</b>	6,258,511
Loans and receivables ("LAR")	(b)	<b>202,909</b>	457,307	<b>273,817</b>	288,618	<b>476,726</b>	745,925
Fair value through profit or loss ("FVTPL")							
– Held for trading ("HFT")	(c)	<b>3,344,810</b>	2,601,755	–	–	<b>3,344,810</b>	2,601,755
– Designated upon initial recognition ("DUIR")	(d)	<b>2,997,532</b>	2,611,884	–	–	<b>2,997,532</b>	2,611,884
		<b>13,324,753</b>	11,929,457	<b>273,817</b>	288,618	<b>13,598,570</b>	12,218,075

#### (a) Available-for-sale financial assets

Group	← Fair value →	
	2017 RM'000	2016 RM'000
Malaysian government securities	<b>2,579,820</b>	2,471,201
Malaysian government guaranteed bonds	<b>1,675,053</b>	1,535,799
Ringgit denominated bonds by foreign issuers outside Malaysia	<b>41,918</b>	74,086
Quoted equity securities of corporations in Malaysia	<b>730,337</b>	663,162
Unquoted bonds of corporations in Malaysia	<b>1,588,189</b>	1,362,289
Quoted unit trusts in Malaysia	<b>55,480</b>	54,458
Unquoted unit trusts in Malaysia	<b>12,409</b>	1,137
Structured deposits and negotiable certificate of deposits with licensed financial institutions	<b>94,149</b>	94,232
	<b>6,777,355</b>	6,256,364

Group	← Cost →	
	2017 RM'000	2016 RM'000
Unquoted equity securities of corporations in Malaysia	<b>2,147</b>	2,147
Total available-for-sale financial assets	<b>6,779,502</b>	6,258,511

## Notes to the Financial Statements

### 9. INVESTMENTS (CONTINUED)

#### (b) Loans and receivables

Group	Amortised	Fair value	Amortised	Fair value
	cost	2017	cost	2016
	2017	2017	2016	2016
	RM'000	RM'000	RM'000	RM'000
Malaysian government guaranteed loans	190,000	190,000	190,000	190,000
Mortgage loans	2,117	2,117	3,926	3,926
Policy loans	12,905	12,905	14,588	14,588
Automatic premium loans	84,561	84,561	89,041	89,041
Fixed and call deposits with:				
Licensed financial institutions	187,143	187,143	448,370	448,370
	<b>476,726</b>	<b>476,726</b>	745,925	745,925

#### (c) FVTPL – Held for trading

Group	Fair value	
	2017	2016
	RM'000	RM'000
Malaysian government securities	477,312	437,633
Malaysian government guaranteed bonds	530,465	397,451
Ringgit denominated bonds by foreign issuers outside Malaysia	5,080	5,098
Quoted equity securities of corporations in Malaysia	1,145,045	881,727
Quoted equity securities of corporations outside Malaysia	4,507	24,916
Unquoted bonds of corporations in Malaysia	1,116,028	807,117
Quoted unit trusts in Malaysia	2,246	–
Unquoted unit trusts in Malaysia	6,966	4,886
Unquoted unit trusts outside Malaysia	26,945	12,633
Structured deposits with licensed financial institutions	30,216	30,294
	<b>3,344,810</b>	2,601,755

#### (d) FVTPL – Designated upon initial recognition

Group	Fair value	
	2017	2016
	RM'000	RM'000
Malaysian government securities	582,848	456,618
Malaysian government guaranteed bonds	460,220	384,367
Ringgit denominated bonds by foreign issuers outside Malaysia	18,669	21,730
Unquoted bonds of corporations in Malaysia	1,686,877	1,498,931
Unquoted bonds of corporations outside Malaysia	115,469	116,765
Structured deposits and negotiable certificate of deposits with licensed financial institutions	133,449	133,473
	<b>2,997,532</b>	2,611,884

## Notes to the Financial Statements

### 9. INVESTMENTS (CONTINUED)

The movements in carrying values of the financial investments are as follows:

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
<b>At 1 January 2016</b>		6,179,071	590,654	1,912,091	2,140,734	10,822,550
Purchases/Placements		1,673,702	20,242,181	1,349,148	775,737	24,040,768
Maturities		(470,500)	(20,086,910)	(67,500)	(130,000)	(20,754,910)
Disposals		(1,083,370)	–	(583,368)	(186,714)	(1,853,452)
Fair value (losses)/gains recorded in:						
Profit or loss:						
– Unrealised (losses)/gains	25	–	–	(9,322)	11,551	2,229
– Movement in impairment allowance	25	(29,404)	–	–	–	(29,404)
Other comprehensive income	15.3	(3,604)	–	–	–	(3,604)
Insurance contract liabilities	16(a)	(9,842)	–	–	–	(9,842)
Accretion of discounts		5,661	–	1,180	2,456	9,297
Amortisation of premiums		(3,203)	–	(679)	(1,880)	(5,762)
Unrealised foreign exchange gains		–	–	205	–	205
<b>At 31 December 2016</b>		6,258,511	745,925	2,601,755	2,611,884	12,218,075
<b>At 1 January 2017</b>		<b>6,258,511</b>	<b>745,925</b>	<b>2,601,755</b>	<b>2,611,884</b>	<b>12,218,075</b>
Purchases/Placements		1,251,562	17,406,564	1,179,071	698,667	20,535,864
Maturities		(292,500)	(17,675,763)	(57,500)	(190,000)	(18,215,763)
Disposals		(567,043)	–	(559,628)	(123,039)	(1,249,710)
Fair value gains/(losses) recorded in:						
Profit or loss:						
– Unrealised gains	25	–	–	184,209	10,588	194,797
– Movement in impairment allowance	25	(6,582)	–	–	–	(6,582)
Other comprehensive income	15.3	17,987	–	–	–	17,987
Insurance contract liabilities	16(a)	113,866	–	–	–	113,866
Accretion of discounts		6,506	–	1,374	3,386	11,266
Amortisation of premiums		(2,805)	–	(771)	(2,123)	(5,699)
Unrealised foreign exchange losses		–	–	(3,700)	(11,831)	(15,531)
<b>At 31 December 2017</b>		<b>6,779,502</b>	<b>476,726</b>	<b>3,344,810</b>	<b>2,997,532</b>	<b>13,598,570</b>
<b>Company</b>					<b>2017 RM'000</b>	<b>2016 RM'000</b>
Fixed and call deposits with:						
Licensed financial institutions					9,718	–



## Notes to the Financial Statements

### 9. INVESTMENTS (CONTINUED)

Financial investments are summarised by category as follows:

Company	Current		Total	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Loans and receivables ("LAR")	9,718	–	9,718	–

#### Loans and receivables

Company	Amortised cost	Fair value	Amortised cost	Fair value
	2017 RM'000	2017 RM'000	2016 RM'000	2016 RM'000
Fixed and call deposits with: Licensed financial institutions	9,718	9,718	–	–

The movements in carrying values of the financial investments are as follows:

Company	LAR RM'000	Total RM'000
<b>At 1 January 2016</b>	6,540	6,540
Maturities	(6,540)	(6,540)
<b>At 31 December 2016/1 January 2017</b>	–	–
Placements	9,718	9,718
<b>At 31 December 2017</b>	9,718	9,718

### 10. DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
<b>2017</b>			
Derivative held for trading at fair value through profit or loss:			
Collateralised forward starting interest rate swap	200,000	7,259	–
Collateralised interest rate swap	200,000	13,827	–
Cross currency swap	119,750	4,352	(1,933)
Derivatives used for hedging:			
Forward purchase agreements	220,000	99	(3,318)
	<b>739,750</b>	<b>25,537</b>	<b>(5,251)</b>
<b>2016</b>			
Derivative held for trading at fair value through profit or loss:			
Collateralised forward starting interest rate swap	400,000	14,996	–
Cross currency swap	111,712	–	(10,759)
Derivatives used for hedging:			
Forward purchase agreements	160,000	429	(3,114)
	<b>671,712</b>	<b>15,425</b>	<b>(13,873)</b>

## Notes to the Financial Statements

### 11. INSURANCE RECEIVABLES

Group	Note	2017 RM'000	2016 RM'000
<b>Current</b>			
Due premiums including agents, brokers and co-insurers balances		<b>186,196</b>	195,614
Due from reinsurers and cedants		<b>88,635</b>	79,565
Due from related companies	11.1	<b>32,759</b>	14,945
Group claims receivables		<b>1,701</b>	1,693
		<b>309,291</b>	291,817
Less: Allowance for impairment	39.1(ii)	<b>(59,166)</b>	(21,644)
		<b>250,125</b>	270,173

#### 11.1 Amount due from related companies

The amount due from related companies is unsecured and receivable in accordance with normal trade terms.

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	Note	2017 RM'000	2016 RM'000
<b>Non-current</b>			
<b>Other receivables</b>			
Other receivables, deposits and prepayments		<b>13,902</b>	9,696
Malaysian Institute of Insurance ("MII") bonds		<b>590</b>	590
		<b>14,492</b>	10,286
<b>Staff loans</b>			
Mortgage loans		<b>5,018</b>	4,103
Other secured loans		<b>976</b>	762
		<b>5,994</b>	4,865
		<b>20,486</b>	15,151

## Notes to the Financial Statements

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Group	Note	2017 RM'000	2016 RM'000
<b>Current</b>			
<b>Other receivables</b>			
Other receivables, deposits and prepayments		<b>86,765</b>	93,037
Less: Allowance for impairment	39.1(ii)	<b>(2,022)</b>	(1,987)
		<b>84,743</b>	91,050
Income due and accrued		<b>134,370</b>	121,219
Due from related companies	12.1	<b>2,713</b>	5,129
Due from inter-fund	19	<b>17,801</b>	24,330
		<b>239,627</b>	241,728
<b>Staff loans</b>			
Mortgage loans		<b>533</b>	514
Other secured loans		<b>325</b>	270
		<b>858</b>	784
		<b>240,485</b>	242,512
<b>Total</b>		<b>260,971</b>	257,663

#### 12.1 Amounts due from related companies

The amount due from related companies is unsecured, interest free and repayable on demand.

Company	Note	2017 RM'000	2016 RM'000
<b>Non-current</b>			
<b>Other receivables</b>			
Other receivables, deposits and prepayments		<b>448</b>	585
<b>Staff loans</b>			
Mortgage loans		<b>374</b>	554
Other secured loans		<b>70</b>	50
		<b>444</b>	604
		<b>892</b>	1,189

## Notes to the Financial Statements

### 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Company	Note	2017 RM'000	2016 RM'000
<b>Current</b>			
<b>Other receivables</b>			
Other receivables, deposits and prepayments		1,432	1,614
Income due and accrued		155	38
Due from subsidiaries	12.2	82,836	64,074
		<b>84,423</b>	65,726
<b>Staff loans</b>			
Mortgage loans		43	78
Other secured loans		26	26
		<b>69</b>	104
		<b>84,492</b>	65,830
<b>Total</b>		<b>85,384</b>	67,019

#### 12.2 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

### 13. DEFERRED ACQUISITION COSTS

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2016		98,814	(16,615)	82,199
Movement during the year	26	1,170	3,559	4,729
At 31 December 2016/1 January 2017		<b>99,984</b>	<b>(13,056)</b>	<b>86,928</b>
Movement during the year	26	<b>7,742</b>	<b>(614)</b>	<b>7,128</b>
At 31 December 2017		<b>107,726</b>	<b>(13,670)</b>	<b>94,056</b>

## Notes to the Financial Statements

### 14. SHARE CAPITAL

Group and Company	2017		2016	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
<b>Authorised: (Note 14.1)</b>				
Ordinary shares	–	–	600,000	600,000
Irredeemable Convertible Preference Shares	–	–	400,000	400,000
<b>Issued and fully paid shares classified as equity instruments: (Note 14.1)</b>				
<b>Ordinary shares</b>				
At 1 January	<b>173,707</b>	<b>173,707</b>	169,309	169,309
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.2)	<b>48,775</b>	–	–	–
Issued during the year	<b>2,786</b>	<b>876</b>	4,398	4,398
At 31 December	<b>225,268</b>	<b>174,583</b>	173,707	173,707
<b>Irredeemable Convertible Preference Shares</b>				
At 1 January	<b>172,499</b>	<b>172,499</b>	176,897	176,897
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.2)	<b>376,048</b>	–	–	–
Conversion during the year	<b>(2,786)</b>	<b>(876)</b>	(4,398)	(4,398)
At 31 December	<b>545,761</b>	<b>171,623</b>	172,499	172,499
	Note 14.3	Note 14.3		

During the financial year, the Group and the Company issued 875,950 (2016: 4,397,861) ordinary shares via conversion of ICPS.

Note 14.1: The new Companies Act 2016 in Malaysia ("the Act"), which came into operation on 31 January 2017 abolished the concept of authorised share capital and par value of share capital. Pursuant to Section 74 of the Act, all shares issued before or upon commencement of the Act shall have no par or nominal value. There is no impact on the number of shares in issue or the relative entitlement of the member as a result of this transition.

Note 14.2: In accordance with Section 618 of the Act, any amount standing to the credit of the share premium account has become part of the Group and the Company's share capital. The Group and the Company have twenty-four months upon the commencement of the Act on 31 January 2017 to utilise the credit.

Note 14.3: Included in share capital is share premium amounting to RM424,823,000 that is available to be utilised in accordance with Section 618(3) of the Act on or before 30 January 2019 (24 months from commencement of section 74 of the Act). The Board of Directors will make a decision thereon by 30 January 2019.



## Notes to the Financial Statements

### 14. SHARE CAPITAL (CONTINUED)

#### Ordinary shares

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

#### Irredeemable Convertible Preference Shares ("ICPS")

Holders of ICPS receive a non-cumulative preferential dividend equivalent to 1.2 times of the dividend rate of the ordinary shares declared for the same financial year/period and calculated based on the nominal value of the ICPS at the Company's discretion. The ICPS holders do not carry the right to vote at any general meeting except for when the dividend or part of the dividend is in arrears for more than 6 months, on a proposal to wind-up of the Company, during the winding-up of the Company, on a proposal that affect the rights attached to the ICPS, on a proposal to reduce the Company's share capital or on a proposal for the disposal of the whole of the Company's property, business and undertaking.

In the event of repayment of capital by AMB (including any cancellation of capital which is lost or unrepresented by assets), each ICPS holder will be entitled to participate in such repayment and shall rank pari passu with the existing ordinary shareholders.

### 15. RESERVES

	Note	2017 RM'000	2016 RM'000
<b>Group</b>			
Share premium	15.1	–	424,823
Revaluation reserve	15.2	<b>41,934</b>	41,934
Fair value reserve	15.3	<b>10,169</b>	(3,508)
Life non-participating fund surplus		<b>611,845</b>	524,516
Retained earnings	15.4	<b>1,700,536</b>	1,545,552
		<b>2,364,484</b>	2,533,317
<b>Company</b>			
Share premium	15.1	–	424,823
Retained earnings		<b>280,145</b>	249,328
		<b>280,145</b>	674,151

## Notes to the Financial Statements

### 15. RESERVES (CONTINUED)

#### 15.1 Share premium

Share premium comprised the premium paid on subscription of shares in the Company over and above the par value of the shares. With the Companies Act 2016 coming into effect on 31 January 2017, the credits standing in the share premium account of RM424,823,000 has been transferred to the share capital account (See Note 14.2).

	2017 RM'000	2016 RM'000
<b>Group and Company</b>		
At 1 January	424,823	424,823
Transfer to share capital in accordance with Section 618 (2) of the Companies Act 2016	(424,823)	–
At 31 December	–	424,823

#### 15.2 Revaluation reserve

The revaluation reserve represents the surplus on revaluation of owner occupied properties for the general business and life business.

Owner occupied properties are stated at valuation based on valuation conducted by independent professional qualified valuers using the Comparison Method.

	2017 RM'000	2016 RM'000
<b>Group</b>		
At 1 January	41,934	34,058
Net gain arising from change in fair value during the year	–	9,342
Effect of tax	–	(1,466)
At 31 December	41,934	41,934

#### 15.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

	Note	2017 RM'000	2016 RM'000
<b>Group</b>			
<b>Fair value reserve</b>			
At 1 January		(3,508)	(770)
Net gain/(loss) arising from change in fair value during the year	9	17,987	(3,604)
Effect of tax		(4,310)	866
At 31 December		10,169	(3,508)

## Notes to the Financial Statements

### 15. RESERVES (CONTINUED)

#### 15.4 Retained earnings

##### Restriction on payment of dividend

Pursuant to the RBC Framework for Insurers, the insurance subsidiaries of the Group ("Insurance Subsidiaries") shall not pay dividends if the Capital Adequacy Ratio position of the Insurance Subsidiaries is less than Insurance Subsidiaries' internal target capital level or if the payment of dividends would impair Insurance Subsidiaries' Capital Adequacy Ratio position to below Insurance Subsidiaries' internal target.

Pursuant to Section 51(1) of the FSA, the Insurance Subsidiaries are required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend on its shares with effect from financial year beginning 1 January 2014.

### 16. INSURANCE CONTRACT LIABILITIES

Group	Note	2017			2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	(a)	8,482,291	(52,764)	8,429,527	7,347,962	(59,975)	7,287,987
General insurance	(b)	3,474,774	(855,672)	2,619,102	3,420,542	(920,935)	2,499,607
		<b>11,957,065</b>	<b>(908,436)</b>	<b>11,048,629</b>	10,768,504	(980,910)	9,787,594
			Note 8			Note 8	

#### (a) Life insurance

Life insurance contract liabilities consist of:

Group	Note	2017			2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	38.1	6,880,877	(52,764)	6,828,113	6,101,423	(59,975)	6,041,448
Unallocated surplus		81,659	–	81,659	169,426	–	169,426
Hedging reserve		(2,961)	–	(2,961)	25	–	25
Available-for-sale fair value reserve		145,302	–	145,302	40,546	–	40,546
Net asset value attributable to unitholders	34	1,371,434	–	1,371,434	1,030,562	–	1,030,562
Revaluation reserve		5,980	–	5,980	5,980	–	5,980
		<b>8,482,291</b>	<b>(52,764)</b>	<b>8,429,527</b>	7,347,962	(59,975)	7,287,987

## Notes to the Financial Statements

### 16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

#### (a) Life insurance (continued)

Group	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without PDF RM'000	Total RM'000	With DPF RM'000	Without PDF RM'000	Total RM'000	
<b>At 1 January 2016</b>	3,590,017	2,817,694	6,407,711	–	(65,076)	(65,076)	6,342,635
Premiums received (Note 22)	308,876	1,790,801	2,099,677	(9,026)	(143,163)	(152,189)	1,947,488
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(206,830)	(566,139)	(772,969)	6,209	120,237	126,446	(646,523)
Benefits and claims experience variation	8,234	(68,969)	(60,735)	2,839	28,339	31,178	(29,557)
Fees deducted	(28,392)	(527,272)	(555,664)	(22)	26	4	(555,660)
Expected interest on reserve/net investment income attributable to Universal Life Fund	150,361	76,732	227,093	–	(970)	(970)	226,123
Adjustments due to changes in assumptions	(117,272)	(4,218)	(121,490)	–	632	632	(120,858)
Net asset value attributable to unitholders (Note 34)	–	16,888	16,888	–	–	–	16,888
Hedging reserve	1,266	–	1,266	–	–	–	1,266
Available-for-sale fair value reserve (Note 9)	(9,842)	–	(9,842)	–	–	–	(9,842)
Unallocated surplus	115,341	–	115,341	–	–	–	115,341
Deferred tax effects:							
– Hedging reserve (Note 29.3)	(101)	–	(101)	–	–	–	(101)
– Available-for-sale fair value reserve (Note 29.3)	787	–	787	–	–	–	787
<b>At 31 December 2016</b>	3,812,445	3,535,517	7,347,962	–	(59,975)	(59,975)	7,287,987

## Notes to the Financial Statements

### 16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

#### (a) Life insurance (continued)

Group	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without PDF RM'000	Total RM'000	With DPF RM'000	Without PDF RM'000	Total RM'000	
<b>At 1 January 2017</b>	<b>3,812,445</b>	<b>3,535,517</b>	<b>7,347,962</b>	<b>-</b>	<b>(59,975)</b>	<b>(59,975)</b>	<b>7,287,987</b>
Premiums received (Note 22)	188,839	1,960,753	2,149,592	(5,840)	(47,289)	(53,129)	2,096,463
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(274,194)	(699,447)	(973,641)	2,345	72,017	74,362	(899,279)
Benefits and claims experience variation	37,569	(30,938)	6,631	3,495	(19,917)	(16,422)	(9,791)
Fees deducted	(23,208)	(581,095)	(604,303)	-	219	219	(604,084)
Expected interest on reserve/net investment income attributable to Universal Life Fund	150,649	164,665	315,314	-	(803)	(803)	314,511
Adjustments due to changes in assumptions	74,225	5,747	79,972	-	2,984	2,984	82,956
Net asset value attributable to unitholders (Note 34)	-	146,761	146,761	-	-	-	146,761
Hedging reserve	(3,246)	-	(3,246)	-	-	-	(3,246)
Available-for-sale fair value reserve (Note 9)	113,866	-	113,866	-	-	-	113,866
Unallocated surplus	(87,767)	-	(87,767)	-	-	-	(87,767)
Deferred tax effects:							
- Hedging reserve (Note 29.3)	260	-	260	-	-	-	260
- Available-for-sale fair value reserve (Note 29.3)	(9,110)	-	(9,110)	-	-	-	(9,110)
<b>At 31 December 2017</b>	<b>3,980,328</b>	<b>4,501,963</b>	<b>8,482,291</b>	<b>-</b>	<b>(52,764)</b>	<b>(52,764)</b>	<b>8,429,527</b>



## Notes to the Financial Statements

### 16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

#### (b) General insurance

General insurance contract liabilities consist of:

Group	Note	2017			2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		<b>1,690,486</b>	<b>(477,442)</b>	<b>1,213,044</b>	1,677,124	(544,462)	1,132,662
Provision for incurred but not reported claims ("IBNR")		<b>711,900</b>	<b>(218,463)</b>	<b>493,437</b>	722,698	(209,400)	513,298
Provision for outstanding claims	16.1	<b>2,402,386</b>	<b>(695,905)</b>	<b>1,706,481</b>	2,399,822	(753,862)	1,645,960
Provision for unearned premiums	16.2	<b>1,072,388</b>	<b>(159,767)</b>	<b>912,621</b>	1,020,720	(167,073)	853,647
		<b>3,474,774</b>	<b>(855,672)</b>	<b>2,619,102</b>	3,420,542	(920,935)	2,499,607

#### 16.1 Provision for outstanding claims – movements

Group	Note	2017			2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>At 1 January</b>		<b>2,399,822</b>	<b>(753,862)</b>	<b>1,645,960</b>	2,460,011	(878,371)	1,581,640
Claims incurred in the current accident year		<b>1,460,953</b>	<b>(196,008)</b>	<b>1,264,945</b>	1,399,877	(205,960)	1,193,917
Other movements in claims incurred in prior accident years		<b>(91,858)</b>	<b>(37,764)</b>	<b>(129,622)</b>	(208,773)	93,009	(115,764)
Claims paid during the year	27	<b>(1,366,531)</b>	<b>291,729</b>	<b>(1,074,802)</b>	(1,251,293)	237,460	(1,013,833)
<b>At 31 December</b>		<b>2,402,386</b>	<b>(695,905)</b>	<b>1,706,481</b>	2,399,822	(753,862)	1,645,960

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### 16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

#### (b) General insurance (continued)

##### 16.2 Provision for unearned premiums – movements

Group	Note	2017			2016		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>At 1 January</b>		<b>1,020,720</b>	<b>(167,073)</b>	<b>853,647</b>	1,020,899	(185,858)	835,041
Premiums written in the year	22	<b>2,135,812</b>	<b>(245,018)</b>	<b>1,890,794</b>	2,082,923	(321,305)	1,761,618
Premiums earned during the year		<b>(2,084,144)</b>	<b>252,324</b>	<b>(1,831,820)</b>	(2,083,102)	340,090	(1,743,012)
<b>At 31 December</b>		<b>1,072,388</b>	<b>(159,767)</b>	<b>912,621</b>	1,020,720	(167,073)	853,647

### 17. DEFERRED TAX ASSETS AND (LIABILITIES)

#### 17.1 Recognised deferred tax assets and (liabilities) are attributable to the following:

Group	Assets		Liabilities		Net	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Property, plant and equipment	<b>1,309</b>	732	<b>(15,803)</b>	(16,277)	<b>(14,494)</b>	(15,545)
Intangible assets	–	–	–	(1,091)	–	(1,091)
Provisions	<b>28,947</b>	17,084	–	–	<b>28,947</b>	17,084
Hedging reserve	<b>258</b>	–	–	(2)	<b>258</b>	(2)
Available-for-sale fair value reserve	–	733	<b>(15,809)</b>	(3,122)	<b>(15,809)</b>	(2,389)
Fair value movement recognised in profit or loss	<b>1,778</b>	1,778	<b>(18,460)</b>	(2,744)	<b>(16,682)</b>	(966)
Unallocated surplus	–	–	<b>(193,214)</b>	(165,636)	<b>(193,214)</b>	(165,636)
Other items	–	1,446	<b>(474)</b>	(149)	<b>(474)</b>	1,297
Tax assets/(liabilities)	<b>32,292</b>	21,773	<b>(243,760)</b>	(189,021)	<b>(211,468)</b>	(167,248)
Set off	<b>(9,017)</b>	(7,160)	<b>9,017</b>	7,160	–	–
Net tax assets/(liabilities)	<b>23,275</b>	14,613	<b>(234,743)</b>	(181,861)	<b>(211,468)</b>	(167,248)
<b>Company</b>						
Property, plant and equipment	–	–	<b>(183)</b>	(56)	<b>(183)</b>	(56)
Net tax liabilities	–	–	<b>(183)</b>	(56)	<b>(183)</b>	(56)

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### 17. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

#### 17.2 Movement in temporary differences during the year:

	At 1.1.2016		Recognised in profit or loss (Note 29.1)		Recognised in other comprehensive income (Note 29.2)		Recognised in insurance contract liabilities (Note 29.3)		At 31.12.2016	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
Property, plant and equipment	(14,197)	118			(1,466)					(14,494)
Intangible assets	(354)	(737)								
Provisions	19,426	(2,342)								28,947
Hedging reserve	99	-					(101)		260	258
Available-for-sale fair value reserve	(4,042)	-			866		787		(9,110)	(15,809)
Fair value movement recognised in profit or loss	(401)	(565)								(16,682)
Unallocated surplus	(141,823)	(23,813)								(193,214)
Other items	2,208	(911)							(1,771)	(474)
	(139,084)	(28,250)			(600)		686		(31,060)	(211,468)
<b>Company</b>										
Property, plant and equipment	(29)	(27)							(127)	(183)

## Notes to the Financial Statements

### 18. INSURANCE PAYABLES

<b>Group</b>	<b>Note</b>	<b>2017 RM'000</b>	<b>2016 RM'000</b>
<b>Non-current</b>			
Performance bond deposits	18.1	<b>25,351</b>	32,252
<b>Current</b>			
Due to reinsurers and cedants		<b>146,747</b>	111,384
Due to agents, brokers, co-insurers and insurers		<b>140,338</b>	135,210
Due to holding company	18.2	<b>1,139</b>	583
Due to related companies	18.2	<b>64,190</b>	49,244
Performance bond deposits	18.1	<b>52,999</b>	43,777
		<b>405,413</b>	340,198
<b>Total</b>		<b>430,764</b>	372,450

#### 18.1 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

#### 18.2 Amounts due to holding company and related companies

The amounts due to holding company and related companies are unsecured and payable in accordance with normal trade terms.

## Notes to the Financial Statements

### 19. OTHER PAYABLES AND ACCRUALS

Group	Note	2017 RM'000	2016 RM'000
<b>Non-current</b>			
Other payables and accrued expenses	19.1	34,051	29,333
Due to holding company	19.3	54,300	54,300
		<b>88,351</b>	83,633
<b>Current</b>			
Other payables and accrued expenses	19.1	342,707	296,727
Due to inter-fund	12	17,801	24,330
Due to holding company	19.2	23,936	23,062
Due to related companies	19.2	950	–
		<b>385,394</b>	344,119
<b>Total</b>		<b>473,745</b>	427,752
<b>Company</b>			
<b>Non-current</b>			
Due to holding company	19.3	54,300	54,300
<b>Current</b>			
Other payables and accrued expenses		49,490	38,315
Due to a subsidiary	19.2	–	167,383
		<b>49,490</b>	205,698
<b>Total</b>		<b>103,790</b>	259,998

#### 19.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group is an amount of RM65,187,000 (2016: RM55,871,000) relating to premium received in advance and RM26,586,000 (2016: RM21,725,000) relating to premium deposits.

#### 19.2 Amounts due to holding company, related companies and a subsidiary

The amounts due to holding company, related companies and a subsidiary are unsecured, interest free and repayable on demand.

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### 19. OTHER PAYABLES AND ACCRUALS (CONTINUED)

#### 19.3 Advance from holding company – Group and Company

##### *Advance from Allianz SE*

The Company has on 27 December 2012 entered into an advance agreement (“Advance Agreement”) with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of Euro equivalent of RM54.3 million to be made available by Allianz SE to the Company (“Advance”), upon the terms and conditions as stipulated in the Advance Agreement. The term loan is unsecured, subject to interest at 4.3% per annum and has been fully repaid on 19 January 2018.

The Advance is used by the Company to finance the business expansion and for general working capital purposes of its life insurance subsidiary.

### 20. BENEFITS AND CLAIMS LIABILITIES

Group	2017 RM'000	2016 RM'000
<b>Current</b>		
Gross benefits and claims liabilities	<b>343,883</b>	275,456
Less: Recoverable from reinsurers	<b>(12,587)</b>	(21,730)
Net benefits and claims liabilities	<b>331,296</b>	253,726

### 21. OPERATING REVENUE

Group	Note	2017 RM'000	2016 RM'000
Gross earned premiums	22(a)	<b>4,233,736</b>	4,182,779
Investment income	23	<b>567,254</b>	495,707
		<b>4,800,990</b>	4,678,486
<b>Company</b>			
Investment income	23	<b>83,806</b>	88,765

## Notes to the Financial Statements

### 22. NET EARNED PREMIUMS

Group	Note	2017 RM'000	2016 RM'000
<b>(a) Gross premiums</b>			
Insurance contracts:			
Life	16(a)	<b>2,149,592</b>	2,099,677
General	16.2	<b>2,135,812</b>	2,082,923
		<b>4,285,404</b>	4,182,600
Change in unearned premiums provision:			
General		<b>(51,668)</b>	179
<b>Gross earned premiums</b>	21	<b>4,233,736</b>	4,182,779
<b>(b) Premiums ceded</b>			
Insurance contracts:			
Life	16(a)	<b>(53,129)</b>	(152,189)
General	16.2	<b>(245,018)</b>	(321,305)
		<b>(298,147)</b>	(473,494)
Change in unearned premiums provision:			
General		<b>(7,306)</b>	(18,785)
<b>Premiums ceded to reinsurers</b>		<b>(305,453)</b>	(492,279)
<b>Net earned premiums</b>		<b>3,928,283</b>	3,690,500

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### 23. INVESTMENT INCOME

Group	Note	2017 RM'000	2016 RM'000
Rental of premises from:			
– Investment properties	5	130	128
– Owner occupied properties		82	81
<b>Fair value through profit or loss – Held for trading financial assets</b>			
Interest income from:			
– Malaysian government securities		18,893	13,553
– Malaysian government guaranteed bonds		21,078	14,670
– Ringgit denominated bonds by foreign issuers outside Malaysia		245	245
– Unquoted bonds of corporations in Malaysia		46,341	32,116
Dividend income from:			
– Quoted equity securities of corporations in Malaysia		30,328	20,227
– Quoted equity securities of corporations outside Malaysia		400	262
– Quoted unit trusts in Malaysia		108	120
Interest income from/(expense to) licensed financial institutions:			
– Structured deposits		1,276	1,279
– Cash collateral		(203)	(336)
Accretion of discounts on:			
– Malaysian government securities		657	342
– Malaysian government guaranteed bonds		668	585
– Unquoted bonds of corporations in Malaysia		49	253
Amortisation of premiums on:			
– Malaysian government securities		(154)	(149)
– Malaysian government guaranteed bonds		(11)	(17)
– Unquoted bonds of corporations in Malaysia		(606)	(513)

## Notes to the Financial Statements

### 23. INVESTMENT INCOME (CONTINUED)

Group	2017 RM'000	2016 RM'000
<b>Available-for-sale financial assets</b>		
Interest income from:		
– Malaysian government securities	<b>101,251</b>	101,686
– Malaysian government guaranteed bonds	<b>67,817</b>	64,097
– Ringgit denominated bonds by foreign issuers outside Malaysia	<b>2,042</b>	3,251
– Unquoted bonds of corporations in Malaysia	<b>68,268</b>	57,989
Dividend income from:		
– Quoted equity securities of corporations in Malaysia	<b>20,127</b>	16,061
– Quoted unit trusts in Malaysia	<b>1,861</b>	3,173
Accretion of discounts on:		
– Malaysian government securities	<b>750</b>	711
– Malaysian government guaranteed bonds	<b>5,321</b>	4,454
– Ringgit denominated bonds by foreign issuers outside Malaysia	<b>12</b>	69
– Unquoted bonds of corporations in Malaysia	–	18
– Structured deposits and negotiable certificate of deposits with licensed financial institutions	<b>423</b>	409
Amortisation of premiums on:		
– Malaysian government securities	<b>(1,078)</b>	(1,810)
– Malaysian government guaranteed bonds	<b>(135)</b>	(153)
– Unquoted bonds of corporations in Malaysia	<b>(1,592)</b>	(1,240)
Interest income from licensed financial institutions:		
– Structured deposits and negotiable certificate of deposits	<b>3,483</b>	3,943

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### 23. INVESTMENT INCOME (CONTINUED)

Group	2017 RM'000	2016 RM'000
<b>Fair value through profit or loss – Designated upon initial recognition financial assets</b>		
Interest income from:		
– Malaysian government securities	19,649	15,486
– Malaysian government guaranteed bonds	17,420	15,284
– Ringgit denominated bonds by foreign issuers outside Malaysia	879	994
– Unquoted bonds of corporations in Malaysia	78,227	64,295
– Unquoted bonds of corporations outside Malaysia	4,394	1,181
Interest income from/(expense to) licensed financial institutions:		
– Structured deposits and negotiable certificate of deposits	5,059	5,077
– Cross currency swap	1,222	(116)
– Collateralised forward starting interest rate swap	2,230	-
Accretion of discounts on:		
– Malaysian government securities	567	350
– Malaysian government guaranteed bonds	1,290	552
– Ringgit denominated bonds by foreign issuers outside Malaysia	1	6
– Unquoted bonds of corporations in Malaysia	82	214
– Unquoted bonds of corporations outside Malaysia	43	-
– Structured deposits	1,403	1,334
Amortisation of premiums on:		
– Malaysian government securities	(551)	(620)
– Malaysian government guaranteed bonds	(27)	(31)
– Unquoted bonds of corporations in Malaysia	(1,217)	(1,117)
– Unquoted bonds of corporations outside Malaysia	(328)	(112)
<b>Loans and receivables</b>		
Interest income from:		
– Malaysian government guaranteed loans	8,703	8,680
– Mortgage loans	205	329
– Policy loans	1,049	1,098
– Automatic premium loans	6,473	6,696
Interest income from licensed financial institutions:		
– Fixed and call deposits	27,631	33,462
– Bank balances	5,019	7,161
	<b>567,254</b>	<b>495,707</b>
	Note 21	Note 21



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### 23. INVESTMENT INCOME (CONTINUED)

<b>Company</b>	<b>2017</b> RM'000	<b>2016</b> RM'000
Dividend income from subsidiary	79,625	85,313
<b>Loans and receivables</b>		
Interest income from licensed financial institutions:		
– Fixed and call deposits	1,737	1,002
Interest income on subordinated loan	2,444	2,450
	<b>83,806</b>	88,765
	Note 21	Note 21

### 24. REALISED GAINS AND LOSSES

<b>Group</b>	<b>2017</b> RM'000	<b>2016</b> RM'000
<b>Property, plant and equipment</b>		
Realised gains on disposal	207	50
<b>Financial assets</b>		
Realised gains on disposal:		
– Malaysian government securities	4,283	12,527
– Malaysian government guaranteed bonds	137	–
– Quoted equity securities of corporations in Malaysia	100,534	86,983
– Quoted equity securities of corporations outside Malaysia	5,890	416
– Quoted unit trusts in Malaysia	1,048	3,546
– Unquoted bonds of corporations in Malaysia	5	955
– Unquoted unit trusts outside Malaysia	434	9,835
Realised losses on disposal:		
– Malaysian government securities	(641)	(3,840)
– Malaysian government guaranteed bonds	–	(2,373)
– Quoted equity securities of corporations in Malaysia	(53,768)	(45,004)
– Quoted equity securities of corporations outside Malaysia	(6,069)	(330)
– Unquoted unit trusts outside Malaysia	(210)	(359)
– Unquoted bonds of corporations in Malaysia	(76)	–
– Put options	–	(1,549)
Total net realised gains for financial assets	<b>51,567</b>	60,807
Total net realised gains	<b>51,774</b>	60,857

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### 24. REALISED GAINS AND LOSSES (CONTINUED)

<b>Company</b>	<b>2017</b>	<b>2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Property, plant and equipment</b>		
Realised gains on disposal	<b>98</b>	45

### 25. FAIR VALUE GAINS AND LOSSES

<b>Group</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
Investment properties	5	<b>(2,409)</b>	(2,008)
Held for trading financial assets	9	<b>184,209</b>	(9,322)
Designated upon initial recognition financial assets	9	<b>10,588</b>	11,551
Derivatives		<b>8,015</b>	1,925
Total fair value gains on financial assets at FVTPL		<b>202,812</b>	4,154
Impairment loss on AFS financial assets	9	<b>(6,582)</b>	(29,404)
Total fair net value gains/(losses)		<b>193,821</b>	(27,258)

### 26. FEE AND COMMISSION

#### (a) Fee and commission income

<b>Group</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
Service charges		<b>10,890</b>	11,381
Deferred acquisition costs	13	<b>(614)</b>	3,559
Reinsurance commission income		<b>27,650</b>	47,990
Total fee and commission income		<b>37,926</b>	62,930

#### (b) Fee and commission expense

<b>Group</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
		<b>RM'000</b>	<b>RM'000</b>
Gross direct commission		<b>659,498</b>	624,868
Deferred acquisition costs	13	<b>(7,742)</b>	(1,170)
Total fee and commission expense		<b>651,756</b>	623,698

## Notes to the Financial Statements

### 27. NET BENEFITS AND CLAIMS

Group	Note	2017 RM'000	2016 RM'000
<b>(a) Gross benefits and claims paid</b>			
Insurance contracts:			
Life	16(a)	<b>(973,641)</b>	(772,969)
General	16.1	<b>(1,366,531)</b>	(1,251,293)
		<b>(2,340,172)</b>	(2,024,262)
<b>(b) Claims ceded to reinsurers</b>			
Insurance contracts:			
Life	16(a)	<b>74,362</b>	126,446
General	16.1	<b>291,729</b>	237,460
		<b>366,091</b>	363,906
<b>(c) Gross change in contract liabilities</b>			
Insurance contracts:			
Life		<b>(1,032,559)</b>	(948,141)
General		<b>(2,564)</b>	60,189
		<b>(1,035,123)</b>	(887,952)
<b>(d) Change in contract liabilities ceded to reinsurers</b>			
Insurance contracts:			
Life		<b>(7,211)</b>	(5,101)
General		<b>(57,957)</b>	(124,509)
		<b>(65,168)</b>	(129,610)
<b>Net benefits and claims</b>		<b>(3,074,372)</b>	(2,677,918)

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### 28. MANAGEMENT EXPENSES

	Note	2017 RM'000	2016 RM'000
<b>Group</b>			
Advertising and marketing expenses		<b>17,584</b>	26,304
Amortisation of intangible assets	4	<b>18,412</b>	16,256
Auditors' remuneration:			
– statutory audit fees		<b>860</b>	827
– non-audit fees		<b>372</b>	79
Insurance and other receivables:			
– allowance for impairment loss		<b>37,557</b>	1,813
– bad debts recovered		<b>(193)</b>	(160)
– bad debts written off		<b>1,517</b>	1,284
Bank charges		<b>32,505</b>	32,190
Depreciation of property, plant and equipment	3	<b>16,776</b>	17,339
Employee benefits expense	28.1	<b>241,877</b>	224,550
Executive directors' emoluments	28.2	<b>4,007</b>	3,556
Non-executive directors' fee and other emoluments	28.2	<b>3,362</b>	2,883
Rental of office equipment		<b>4,565</b>	162
Rental of third party premises		<b>13,006</b>	15,629
Other expenses		<b>211,618</b>	170,540
		<b>603,825</b>	513,252
<b>Company</b>			
Auditors' remuneration:			
– statutory audit fees		<b>159</b>	159
– non-audit fees		<b>10</b>	10
Depreciation of property, plant and equipment	3	<b>277</b>	155
Employee benefits expense	28.1	<b>1,823</b>	1,168
Executive directors' emoluments	28.2	<b>148</b>	486
Non-executive directors' fee and other emoluments	28.2	<b>927</b>	920
Rental of third party premises		<b>60</b>	71
Other expenses		<b>1,499</b>	1,356
		<b>4,903</b>	4,325

#### 28.1 Employee benefits expense

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Wages and salaries	<b>175,516</b>	158,710	<b>725</b>	375
Social security contributions	<b>1,405</b>	1,285	<b>5</b>	5
Contributions to Employees' Provident Fund	<b>25,923</b>	24,084	<b>167</b>	152
Other benefits	<b>39,033</b>	40,471	<b>926</b>	636
	<b>241,877</b>	224,550	<b>1,823</b>	1,168

## Notes to the Financial Statements

### 28. MANAGEMENT EXPENSES (CONTINUED)

#### 28.2 Key management personnel compensation

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>Executive directors:</b>				
Salaries and other emoluments	2,780	1,132	73	178
Bonus	980	2,015	58	252
Contributions to Employees' Provident Fund	247	409	17	56
Estimated monetary value of benefits-in-kind	173	36	2	7
	<b>4,180</b>	3,592	<b>150</b>	493
<b>Non-executive directors:</b>				
Fees	2,542	2,190	721	708
Other emoluments	820	693	206	212
Estimated monetary value of benefits-in-kind	88	24	-	-
	<b>3,450</b>	2,907	<b>927</b>	920
<b>Other key management personnel*</b>				
Short term employee benefits	10,743	10,096	-	-

\* Other key management personnel are defined as those persons other than the Directors of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

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### 28. MANAGEMENT EXPENSES (CONTINUED)

#### 28.2 Key management personnel compensation (continued)

The number of executive and non-executive directors whose total remuneration and other emoluments received during the year falls within the following bands is:

	Number of directors			
	Group		Company	
	2017	2016	2017	2016
<b>Executive directors:</b>				
Below RM1,000,000	1	1	2	2
RM1,000,000 and above	2	1	-	-
<b>Non-executive directors:</b>				
Below RM100,000	-	-	-	-
RM100,001 – RM200,000	-	-	5	5
RM200,001 – RM300,000	1	-	-	-
RM300,001 – RM400,000	-	1	-	-
RM400,001 – RM500,000	1	-	-	-
RM500,001 – RM600,000	3	3	-	-
RM600,001 – RM700,000	-	-	-	-
RM700,001 – RM800,000	-	-	-	-
RM800,001 – RM900,000	-	-	-	-
RM900,001 – RM1,000,000	-	1	-	-
Above RM1,000,001	1	-	-	-

#### 28.3 Chief Executive Officers remuneration

	Group		Company	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
Salaries and other emoluments	5,656	2,434	111	106
Bonus	1,267	1,959	85	196
Contributions to Employees' Provident Fund	256	392	26	39
Estimated monetary value of benefits-in-kind	410	596	3	3
	<b>7,589</b>	5,381	<b>225</b>	344
Amount included in employee benefits expense	<b>7,179</b>	4,785	<b>222</b>	341

The remuneration of Chief Executive Officers ("CEO(s)") of the Group and the Company who are also the Executive Directors of the Group and the Company, including benefits-in-kind, amounted to RM7,589,000 (2016: RM3,443,000) and RM225,000 (2016: RM344,000) respectively. During the financial year under review, the CEO of the Company has been resigned as an Executive Director of the Company.



## Notes to the Financial Statements

### 29. TAX EXPENSE

#### 29.1 Recognised in profit or loss

	Note	Group		Company	
		2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
<b>Current tax expense</b>					
Current year		<b>118,404</b>	117,664	<b>454</b>	288
(Over)/Under provision in prior years		<b>(143)</b>	(3,454)	<b>(44)</b>	2
		<b>118,261</b>	114,210	<b>410</b>	290
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		<b>33,777</b>	27,301	<b>108</b>	(20)
(Over)/Under provision in prior years		<b>(2,717)</b>	949	<b>19</b>	47
	17.2	<b>31,060</b>	28,250	<b>127</b>	27
Total tax expense		<b>149,321</b>	142,460	<b>537</b>	317

#### 29.2 Deferred tax recognised directly in other comprehensive income

	2017 RM'000	2016 RM'000
<b>Group</b>		
<b>Available-for-sale fair value reserve</b>		
At 1 January	<b>(1,139)</b>	(273)
Net gain/(loss) arising from change in fair value during the year	<b>4,310</b>	(866)
At 31 December	<b>3,171</b>	(1,139)
<b>Revaluation reserve</b>		
At 1 January	<b>9,534</b>	8,068
Net gain arising from change in fair value during the year	-	1,466
At 31 December	<b>9,534</b>	9,534

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### 29. TAX EXPENSE (CONTINUED)

#### 29.3 Deferred tax recognised in insurance contract liabilities

Group	Note	2017 RM'000	2016 RM'000
<b>Hedging reserve</b>			
At 1 January		2	(99)
Net (loss)/gain arising from change in fair value during the year	16(a)	<b>(260)</b>	101
At 31 December		<b>(258)</b>	2
<b>Available-for-sale fair value reserve</b>			
At 1 January		<b>3,528</b>	4,315
Net gain/(loss) arising from change in fair value during the year	16(a)	<b>9,110</b>	(787)
At 31 December		<b>12,638</b>	3,528
<b>Revaluation reserve</b>			
At 1 January/31 December		<b>465</b>	465

#### 29.4 Reconciliation of tax expense

Group	2017 RM'000	2016 RM'000
Profit before tax	<b>437,283</b>	454,591
Tax at Malaysian tax rate of 24% (2016: 24%)	<b>104,948</b>	109,102
Tax rate differential of 16% (2016: 16%) in respect of life fund	<b>1,801</b>	3,429
Income not subject to tax	<b>(173,025)</b>	(157,294)
Section 110B tax credit set off	<b>(941)</b>	(877)
Non-deductible expenses	<b>220,921</b>	190,298
Other items	<b>(1,523)</b>	307
	<b>152,181</b>	144,965
Over provision in prior years	<b>(2,860)</b>	(2,505)
Total tax expense	<b>149,321</b>	142,460

## Notes to the Financial Statements

### 29. TAX EXPENSE (CONTINUED)

#### 29.4 Reconciliation of tax expense (continued)

Company	2017 RM'000	2016 RM'000
Profit before tax	77,003	82,297
Tax at Malaysian tax rate of 24% (2016: 24%)	18,481	19,751
Income not subject to tax	(19,123)	(20,556)
Non-deductible expenses	1,204	1,073
	562	268
(Over)/Under provision in prior years	(25)	49
Total tax expense	537	317

The income of the general business and life business shareholders' fund is taxed at 24% (2016: 24%). The income tax provided in the life fund for the current and previous financial years is in respect of investment income which is taxed at a reduced tax rate of 8% (2016: 8%) applicable for life insurance business and 24% (2016: 24%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967 ("Act").

### 30. EARNINGS PER ORDINARY SHARE

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

The calculation of basic earnings per ordinary share at 31 December 2017 was based on the profit attributable to ordinary shareholders of RM287,962,000 (2016: RM312,131,000) and the weighted average number of ordinary shares in issue during the year of 174,171,000 (2016: 171,251,000).

Group	2017	2016
Profit attributable to ordinary shareholders (RM'000)	287,962	312,131
Weighted average number of shares in issue ('000)	174,171	171,251
Basic earnings per ordinary share (sen)	165.33	182.27

#### (b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2017 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Group	2017	2016
Profit attributable to ordinary shareholders (RM'000)	287,962	312,131
Weighted average number of shares in issue ('000)	174,171	171,251
Effect of conversion of ICPS ('000)	171,623	172,499
Diluted weighted average number of ordinary shares during the year ('000)	345,794	343,750
Diluted earnings per ordinary share (sen)	83.28	90.80

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### 31. DIVIDENDS

Dividends recognised by the Company:

	Sen per share (single tier)	Total amount RM'000	Date of payment
<b>2017</b>			
Interim 2017 preference	14.40	24,627	14 February 2018
Interim 2017 ordinary	12.00	21,022	14 February 2018
		<b>45,649</b>	
<b>2016</b>			
Interim 2016 preference	10.80	18,630	21 February 2017
Interim 2016 ordinary	9.00	15,633	21 February 2017
First and final 2015 preference	7.80	13,797	15 June 2016
First and final 2015 ordinary	6.50	11,006	15 June 2016
		59,066	

### 32. OPERATING LEASES

#### 32.1 Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group	2017 RM'000	2016 RM'000
Less than one year	8,765	10,603
Between one and five years	9,703	7,194
	<b>18,468</b>	17,797

The leases typically run for an initial period of 1-5 years, with an option to renew the leases. None of the leases include contingent rentals.

#### 32.2 Leases as lessor

The Group leases out its investment properties under operating leases (See Note 5). The future minimum lease receivables under non-cancellable leases are as follows:

Group	2017 RM'000	2016 RM'000
Less than one year	172	214
Between one and five years	218	46
	<b>390</b>	260

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### 33. CAPITAL COMMITMENTS

Group	2017 RM'000	2016 RM'000
<b>Property, plant and equipment</b>		
Contracted but not provided for	4,738	3,614
<b>Software development</b>		
Contracted but not provided for	5,490	3,121
<b>Company</b>		
<b>Property, plant and equipment</b>		
Contracted but not provided for	64	202

### 34. INVESTMENT-LINKED FUNDS (LIFE INSURANCE)

#### Investment-linked funds statement of assets and liabilities as at 31 December

Group	Note	2017 RM'000	2016 RM'000
<b>Assets</b>			
Financial investments		1,185,701	926,044
Interest and dividend receivables and other receivables		17,397	16,931
Cash and cash equivalents		192,067	94,850
<b>Total assets</b>		<b>1,395,165</b>	1,037,825
<b>Liabilities</b>			
Deferred tax liabilities		10,946	1,821
Other financial liabilities		10,694	3,896
Other payables		510	706
Benefits and claims liabilities		1,581	840
<b>Total liabilities</b>		<b>23,731</b>	7,263
<b>Net asset value of funds</b>	16(a)	<b>1,371,434</b>	1,030,562

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### 34. INVESTMENT-LINKED FUNDS (LIFE INSURANCE) (CONTINUED)

#### Investment-linked funds statement of income and expenditure for the year ended 31 December

Group	Note	2017 RM'000	2016 RM'000
Investment income		40,289	29,626
Realised gains and losses		21,971	7,704
Fair value gains and losses		114,231	(6,930)
Other operating income		48	214
		176,539	30,614
Management expenses		(56)	(56)
Other operating expenses		(17,131)	(12,154)
Profit before tax		159,352	18,404
Tax expense		(12,591)	(1,516)
Net profit for the year	16(a)	146,761	16,888

### 35. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments. Each business segment is managed separately based on the Group's management and internal reporting structure.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

#### Segment assets

The total segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

#### Segment capital expenditure

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

#### 35.1 Business segments

The Group comprises the following main business segments:

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

#### 35.2 Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.



## Notes to the Financial Statements

### 35. OPERATING SEGMENTS (CONTINUED)

<b>Business segments</b>	<b>Investment holding</b>	<b>General business</b>	<b>Life business</b>	<b>Inter-segment elimination</b>	<b>Consolidated</b>
<b>2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	14,191	2,253,969	2,532,830	–	4,800,990
Revenue from other segments	82,069	–	–	(82,069)	–
<b>Total revenue</b>	<b>96,260</b>	<b>2,253,969</b>	<b>2,532,830</b>	<b>(82,069)</b>	<b>4,800,990</b>
<b>Segment results</b>	<b>79,609</b>	<b>266,879</b>	<b>172,864</b>	<b>(82,069)</b>	<b>437,283</b>
Profit before tax					437,283
Tax expense					(149,321)
<b>Profit for the year</b>					<b>287,962</b>
<b>Segment assets</b>	<b>498,435</b>	<b>5,959,009</b>	<b>10,139,233</b>	<b>–</b>	<b>16,596,677</b>
<b>Segment liabilities</b>	<b>121,557</b>	<b>3,814,906</b>	<b>9,524,701</b>	<b>–</b>	<b>13,461,164</b>
Capital expenditure	689	88,104	6,370	–	95,163
Depreciation of property, plant and equipment	277	11,539	4,960	–	16,776
Amortisation of intangible assets	–	12,778	5,634	–	18,412
Allowance for impairment loss on receivables	–	38,380	(823)	–	37,557
Amortisation of premiums	–	1,982	3,717	–	5,699
Accretion of discounts	–	(5,449)	(5,817)	–	(11,266)

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### 35. OPERATING SEGMENTS (CONTINUED)

<b>Business segments 2016</b>	<b>Investment holding RM'000</b>	<b>General business RM'000</b>	<b>Life business RM'000</b>	<b>Inter-segment elimination RM'000</b>	<b>Consolidated RM'000</b>
External revenue	13,054	2,242,665	2,422,767	–	4,678,486
Revenue from other segments	87,763	–	–	(87,763)	–
<b>Total revenue</b>	<b>100,817</b>	<b>2,242,665</b>	<b>2,422,767</b>	<b>(87,763)</b>	<b>4,678,486</b>
<b>Segment results</b>	<b>83,467</b>	<b>320,520</b>	<b>138,367</b>	<b>(87,763)</b>	<b>454,591</b>
Profit before tax					454,591
Tax expense					(142,460)
Profit for the year					312,131
<b>Segment assets</b>	<b>443,649</b>	<b>5,789,498</b>	<b>8,679,230</b>	<b>–</b>	<b>14,912,377</b>
<b>Segment liabilities</b>	<b>107,476</b>	<b>3,773,312</b>	<b>8,152,066</b>	<b>–</b>	<b>12,032,854</b>
Capital expenditure	125	12,875	8,391	–	21,391
Depreciation of property, plant and equipment	155	12,124	5,060	–	17,339
Amortisation of intangible assets	–	11,281	4,975	–	16,256
Allowance for impairment loss on receivables	–	862	951	–	1,813
Amortisation of premiums	–	2,090	3,672	–	5,762
Accretion of discounts	–	(4,084)	(5,213)	–	(9,297)

### 36. RELATED PARTIES

#### 36.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and the Company, and certain members of Senior Management Committee of the Group and the Company. There were no significant transactions with the Group and the Company during the financial year other than key management personnel compensation as disclosed in Note 28.2.

## Notes to the Financial Statements

### 36. RELATED PARTIES (CONTINUED)

#### 36.2 The significant transactions with related parties are as follows:

Group	Amount transacted for the year ended 31 December 2017 RM'000	Amount transacted for the year ended 31 December 2016 RM'000
<b>Trade</b>		
<b>Holding company</b>		
Payment of reinsurance premium and commission	(5,995)	(4,445)
<b>Related companies*</b>		
Payment of reinsurance premium and commission	(140,703)	(280,066)
<b>Non-trade</b>		
<b>Holding company</b>		
(Payment)/Reimbursement of personnel expenses	(759)	1,481
Payment of global marketing expenses	(2,345)	(1,921)
Payment of advertisement cost	-	(448)
Payment of license fees	(34)	(29)
Payment of training and other fees	(39)	(19)
Payment of service fees	-	(147)
Payment of fees for sharing of Global Procurement (excluding IT) services and support	(189)	(181)
Interest expense on advance received	(2,335)	(2,341)
Payment of business building and regional investment costs	(29,650)	(23,062)
Provision of regional audit services	1,188	1,114
Payment of relationship manager fees	(324)	(754)
Provision of regional underwriting service	337	299
Payment of personnel expenses	(2,428)	(816)
Payment of global technical support fees	(989)	-
Payment for support of design and development of Global Digital Factory	(64)	-
Payment for the development of Allianz One Finance Programme	(72)	-
Payment for IT security services	(314)	-
<b>Related companies*</b>		
Payment of service fees	(7,454)	(7,940)
Reimbursement/(Payment) of other expenses	1,958	(293)
Investment and redemption of funds (including fund management fees)	1,517	35,194
Payment of investment advisory fees	(3,662)	(2,901)
Performance attribution analysis	(11)	(15)
Payment of intranet portal network cost	(354)	(178)
Payment of sharing of common expenses	(271)	(219)
Sharing of asset and investment manager database expenses	(509)	(356)
Payment of software licenses	(281)	(494)
Reimbursement of life actuarial modeling services	575	-
Payment of E-HR success factor fees	(20)	-
Payment for Actuarial support center services	(230)	-
Sharing of expenses of HR database platform and recruitment solution	(74)	(84)

## Notes to the Financial Statements

### 36. RELATED PARTIES (CONTINUED)

#### 36.2 The significant transactions with related parties are as follows (continued):

Group	Amount transacted for the year ended 31 December 2017 RM'000	Amount transacted for the year ended 31 December 2016 RM'000
<b>Non-trade (continued)</b>		
<b>Related companies* (continued)</b>		
Payment of training and other fees	(4)	(30)
Payment of professional fees	–	(11)
Payment for development point of sales system modules	(702)	–
Payment of annual maintenance and support fees for software system	(369)	–
Payment for advisory services	(2,551)	–
<b>Related party – Company connected with a Director of the Group</b>		
Payment of training and other fees	(715)	(574)

\* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Notes 11, 12, 18 and 19.

Company	Amount transacted for the year ended 31 December 2017 RM'000	Amount transacted for the year ended 31 December 2016 RM'000
<b>Non-trade</b>		
<b>Holding company</b>		
Interest expense on advance received	(2,335)	(2,341)
Provision of regional audit services	1,188	1,114
<b>Subsidiaries</b>		
Dividend income	79,625	85,313
Reimbursement of other expenses	273	25
Reimbursement of expenses related to common resources	17,986	15,368
Interest income on subordinated loan	2,444	2,450
Rental of other premises	(64)	(4)
Reimbursement of life actuarial modeling services	147	–
<b>Related companies*</b>		
Reimbursement of life actuarial modeling services	575	–

\* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Notes 7, 12 and 19.

## Notes to the Financial Statements

### 37. RISK MANAGEMENT FRAMEWORK

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is an integrated part of the Group's business process. In order to protect the assets of the Group, the Group has established a risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are properly identified, analysed and evaluated. Risk appetite is defined by a risk strategy and limit structure. Close monitoring and reporting allows the Group to detect deviations from its risk tolerance limits at an early stage.

The Allianz risk management practice consists of the following key areas:

**(a) Risk underwriting and identification**

A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets form the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

**(b) Risk reporting and monitoring**

The Group's qualitative and quantitative risk reporting and controlling framework provides transparency and risk indicators to senior management with regards to its overall risk profile and whether the profile is within delegated limits and authorities.

**(c) Risk strategy and risk appetite**

The Group's risk strategy clearly defines its risk appetite. It ensures that returns are appropriate for the risks taken and that the delegated authorities are in line with the Group's overall risk bearing capacity. The risk-return profile is improved through integration of risk considerations and capital needs into management and decision making process. This also keeps risk strategy and business objectives consistent with each other and allows the Group to take opportunities within its risk appetite.

**(d) Communication and transparency**

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Group's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

#### **Risk governance structure**

The Board of Directors of the Company ("the Board") assumes the ultimate responsibility over the effectiveness of the Group's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee ("RMC") to discharge its oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Group. RMC also oversees the Senior Management's activities in managing the key risk areas of the Group and to ensure that the risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of the Group and to report to the Board on its recommendations and/or decisions. Through structured reporting from the Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

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### 37. RISK MANAGEMENT FRAMEWORK (CONTINUED)

#### **Risk governance structure (continued)**

RMWC serves as and provides a platform for two way communications between the management and the RMC on matters of the Group's risk management framework and its strategies. RMWC is responsible in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendation to the Board. RMWC determines the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversees the compliance of all risk management process by all departments of the Group and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

#### **Asset and Liability Management ("ALM") Framework**

The Investment Committee ("IC") has been tasked to manage business practices so that decisions and actions taken with respect to assets and liabilities are coordinated. It involves various management activities and responsibilities, including the formulation of long-term strategic goals and objectives and the management of various risks including liquidity risk, interest rate risk and market risk.

The ALM process chosen will reflect external and internal constraints.

- External constraints include supervisory and legislative requirements, the interests and expectations of policyholders and other stakeholders. A significant constraint is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.
- Internal constraints such as asset allocation limits reflect the Group's management philosophy or professional judgement (although this may also be influenced by external constraints).

#### **Governance and regulatory framework**

The Group is required to comply with the requirements of the Financial Services Act, 2013, relevant laws and guidelines required by BNM, including relevant guidelines from Life Insurance Association Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Bursa Securities Malaysia Berhad.

The Group is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws or regulations have priority while the stricter will apply where possible.

### 38. INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims, frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group seeks to minimise insurance risk through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.



## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.1 Life insurance contracts

The insurance risk of Life insurance contracts consists of mortality/longevity/morbidity and calamity risks. Mortality/longevity/morbidity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as underestimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

The table below shows the concentration of actuarial liabilities by type of contract (with DPF and without DPF).

Group	Gross			Reinsurance			Net
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2017</b>							
Whole life	2,582,517	1,109,340	3,691,857	-	(10,327)	(10,327)	3,681,530
Endowment	582,259	1,573,666	2,155,925	-	-	-	2,155,925
Mortgage	-	79,330	79,330	-	(42,437)	(42,437)	36,893
Riders and others	585,571	368,194	953,765	-	-	-	953,765
<b>Total</b>	<b>3,750,347</b>	<b>3,130,530</b>	<b>6,880,877</b>	<b>-</b>	<b>(52,764)</b>	<b>(52,764)</b>	<b>6,828,113</b>
			Note 16(a)			Note 16(a)	Note 16(a)
<b>31 December 2016</b>							
Whole life	2,510,907	924,548	3,435,455	-	(10,474)	(10,474)	3,424,981
Endowment	568,133	1,226,154	1,794,287	-	(18)	(18)	1,794,269
Mortgage	-	91,085	91,085	-	(49,483)	(49,483)	41,602
Riders and others	517,429	263,167	780,596	-	-	-	780,596
<b>Total</b>	<b>3,596,469</b>	<b>2,504,954</b>	<b>6,101,423</b>	<b>-</b>	<b>(59,975)</b>	<b>(59,975)</b>	<b>6,041,448</b>
			Note 16(a)			Note 16(a)	Note 16(a)

As all of the business is derived from Malaysia, the entire actuarial liabilities are in Malaysia. There is no investment contract issued by the Company during the current and previous financial years.

#### Key assumptions

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. They are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

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### 38. INSURANCE RISK (CONTINUED)

#### 38.1 Life insurance contracts (continued)

##### **Key assumptions (continued)**

- **Mortality and morbidity rates**  
Experience study on mortality and morbidity rates is carried out on an annual basis. The actual claim experience is compared against industrial mortality table and reinsurers' mortality and morbidity risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

ALIM can increase the mortality/morbidity risk charges in future years in line with emerging experience for investment-linked and universal life contracts.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Expenses**  
Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually; it is compared to actual expense that ALIM incurred.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Persistency**  
Experience study on persistency (lapse, surrender, premium holiday, partial withdrawal) is carried out on an annual basis using statistical method. Persistency assumptions vary by product type, distribution channel and policy duration.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Discount rate**  
In the valuation of the total benefits insurance liabilities of participating life policies, ALIM has assumed a long term gross rate of return of 4.25% - 6.25% per annum (2016: 4.50% - 6.50% per annum). The long term gross rate of return is derived based on a basket of strategic asset allocations. ALIM calculates long term gross rate by assuming each asset class will earn the targeted yield. The strategic asset allocation and targeted yield are reviewed annually in accordance to the ALIM's investment philosophy, market condition and the prevailing long term market return for each asset class.

Malaysian Government Securities ("MGS") spot rate is used in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

Risk-free discount rate for durations of less than 15 years is zero-coupon spot yields of MGS with matching duration. Risk-free discount rate for durations of 15 years or more is zero-coupon spot yields of MGS with 15 years term to maturity. Duration is the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.1 Life insurance contracts (continued)

##### Key assumptions (continued)

The assumptions that have significant effects on the gross actuarial liabilities and reinsurance assets are listed below.

Group	Mortality and morbidity rates <sup>(1)</sup>		Lapse and surrender rates		Discount rate	
	2017	2016	2017	2016	2017	2016
	%	%	%	%	%	%
<b>Type of business</b>						
<b>With fixed and guaranteed terms and with DPF contracts</b>						
Life insurance	<b>60-80</b>	60-80	<b>1-25</b>	0.5-30	<b>4.25-6.25</b>	4.50-6.50
<b>Without DPF contracts</b>						
Life insurance	<b>60-175</b>	60-150	<b>1-65</b>	0.5-60	<b>spot yield</b>	spot yield

<sup>(1)</sup> Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003 or the respective reinsurance risk rates.

##### Sensitivities

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Group	Change in assumptions	Impact on profit before tax RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
<b>Life insurance contracts</b>				
<b>31 December 2017</b>				
Mortality and morbidity rates	<b>+5%</b>	<b>(5,388)</b>	<b>10,569</b>	<b>8,310</b>
Discount rate	<b>-0.5%</b>	<b>(17,955)</b>	<b>129,621</b>	<b>128,155</b>
Expenses	<b>+10%</b>	<b>(7,550)</b>	<b>12,565</b>	<b>12,565</b>
Lapse and surrender rates	<b>-10%</b>	<b>592</b>	<b>6,511</b>	<b>6,276</b>
<b>31 December 2016</b>				
Mortality and morbidity rates	+5%	(7,841)	13,316	10,786
Discount rate	-0.5%	(18,736)	196,002	194,350
Expenses	+10%	(9,104)	14,154	14,154
Lapse and surrender rates	-10%	743	5,845	5,543

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.1 Life insurance contracts (continued)

##### *Sensitivities (continued)*

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In the sensitivity analysis above, changes in assumptions for life non-participating business would impact the profit before tax and insurance contract liabilities. In respect of life participating insurance business, it would only impact the insurance contract liabilities.

- The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

#### 38.2 General insurance contracts

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risk represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below sets out the concentration of the general insurance risk based on the provision for outstanding claims as at the end of the reporting period by type of contract.

Group	2017			2016		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	317,250	(186,555)	130,695	249,449	(130,244)	119,205
Motor	1,500,842	(159,393)	1,341,449	1,496,320	(180,585)	1,315,735
Marine, aviation, cargo and transit	94,378	(65,787)	28,591	119,939	(97,186)	22,753
Miscellaneous	489,916	(284,170)	205,746	534,114	(345,847)	188,267
<b>Total</b>	<b>2,402,386</b>	<b>(695,905)</b>	<b>1,706,481</b>	<b>2,399,822</b>	<b>(753,862)</b>	<b>1,645,960</b>

##### *Key assumptions*

The principal assumption underlying the liability estimates is that the subsidiary's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Key assumptions (continued)

No discounting is made to the recommended claims and premium liability provisions as a prudent measure. In addition, no explicit inflation adjustment has been made to claims amount payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development. It is worthwhile to note that discounting is unlikely to result in any material impact due to the short tail nature of almost all classes, coupled with the low prevailing interest rate environment.

The subsidiary has based its risk margin for adverse deviation ("PRAD") for the unexpired risks reserves and insurance claims at the minimum 75% confidence level of sufficiency, according to the requirement set by BNM under the RBC Framework for Insurers.

##### Sensitivities

Analysis of sensitivity around various scenarios provides an indication of the adequacy of the subsidiary's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<b>31 December 2017</b>					
Average claim cost	+10%	218,278	166,827	(166,827)	(126,788)
Average number of claims	+10%	280,238	237,552	(237,552)	(180,540)
Average claim settlement period	Increased by 6 months	16,088	19,474	(19,474)	(14,081)
<b>31 December 2016</b>					
Average claim cost	+10%	227,341	160,589	(160,589)	(122,047)
Average number of claims	+10%	241,410	195,552	(195,552)	(148,620)
Average claim settlement period	Increased by 6 months	33,547	24,343	(24,343)	(18,500)

\* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

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### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### *Claims development table*

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the subsidiary believes that the estimate of total claims outstanding as of 31 December 2017 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

##### *Gross general insurance claims liabilities as at 31 December 2017:*

Group Accident year	Before									Total RM'000
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
At end of accident year		808,271	863,518	951,235	1,145,412	1,251,433	1,349,116	1,430,684	<b>1,471,640</b>	
One year later		828,768	784,221	848,149	1,182,773	1,193,164	1,278,469	1,368,219	-	
Two years later		810,356	754,244	835,047	1,119,096	1,154,151	1,256,084	-	-	
Three years later		800,033	749,694	834,615	1,096,339	1,141,005	-	-	-	
Four years later		805,627	739,601	824,627	1,167,402	-	-	-	-	
Five years later		796,137	731,371	822,964	-	-	-	-	-	
Six years later		773,413	728,218	-	-	-	-	-	-	
Seven years later		747,757	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		747,757	728,218	822,964	1,167,402	1,141,005	1,256,084	1,368,219	<b>1,471,640</b>	



## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Gross general insurance claims liabilities as at 31 December 2017 (continued):

Group Accident year	Before									
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	Total RM'000
At end of accident										
year		214,460	244,889	259,072	344,439	375,685	387,586	514,882	<b>561,727</b>	
One year later		454,277	520,198	544,612	729,326	771,098	861,538	924,136	-	
Two years later		580,037	620,775	648,982	857,382	924,768	1,013,855	-	-	
Three years later		612,202	656,267	711,572	916,928	986,338	-	-	-	
Four years later		650,174	668,021	731,860	1,065,902	-	-	-	-	
Five years later		654,652	675,224	740,708	-	-	-	-	-	
Six years later		657,660	678,145	-	-	-	-	-	-	
Seven years later		670,526	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>		<b>670,526</b>	<b>678,145</b>	<b>740,708</b>	<b>1,065,902</b>	<b>986,338</b>	<b>1,013,855</b>	<b>924,136</b>	<b>561,727</b>	
Gross general insurance claims liabilities (direct and facultative)	44,803	77,231	50,073	82,256	101,500	154,667	242,229	444,083	<b>909,913</b>	<b>2,106,755</b>
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										<b>56,698</b>
Best estimate of claims liabilities										<b>2,163,453</b>
Claims handling expenses										<b>20,952</b>
PRAD at 75% confidence level										<b>217,981</b>
<b>Gross general insurance claims liabilities</b>										<b>2,402,386</b>

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Gross general insurance claims liabilities as at 31 December 2016:

Group Accident year	Before									Total RM'000
	2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	
At end of accident year		800,472	808,271	863,518	951,235	1,145,412	1,251,433	1,349,116	1,430,684	
One year later		819,547	828,768	784,221	848,149	1,182,773	1,193,164	1,278,469	-	
Two years later		827,424	810,356	754,244	835,047	1,119,096	1,154,151	-	-	
Three years later		829,042	800,033	749,694	834,615	1,096,339	-	-	-	
Four years later		805,420	805,627	739,601	824,627	-	-	-	-	
Five years later		799,475	796,137	731,371	-	-	-	-	-	
Six years later		780,736	773,413	-	-	-	-	-	-	
Seven years later		764,112	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		764,112	773,413	731,371	824,627	1,096,339	1,154,151	1,278,469	1,430,684	

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Gross general insurance claims liabilities as at 31 December 2016 (continued):

Group Accident year	Before									Total RM'000
	2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	
At end of accident year		250,248	214,460	244,889	259,072	344,439	375,685	387,586	514,882	
One year later		565,497	454,277	520,198	544,612	729,326	771,098	861,538	-	
Two years later		683,192	580,037	620,775	648,982	857,382	924,768	-	-	
Three years later		721,408	612,202	656,267	711,572	916,928	-	-	-	
Four years later		733,797	650,174	668,021	731,860	-	-	-	-	
Five years later		736,592	654,652	675,224	-	-	-	-	-	
Six years later		739,949	657,660	-	-	-	-	-	-	
Seven years later		741,013	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>		741,013	657,660	675,224	731,860	916,928	924,768	861,538	514,882	
Gross general insurance claims liabilities (direct and facultative)	64,214	23,099	115,753	56,147	92,767	179,411	229,383	416,931	915,802	2,093,507
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										63,217
Best estimate of claims liabilities										2,156,724
Claims handling expenses										15,270
PRAD at 75% confidence level										227,828
<b>Gross general insurance claims liabilities</b>										<b>2,399,822</b>

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Net general insurance claims liabilities as at 31 December 2017:

Group Accident year	Before									Total RM'000
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
At end of accident year		517,803	622,921	675,017	875,651	971,458	1,101,454	1,200,101	<b>1,279,931</b>	
One year later		494,994	570,921	616,026	779,429	932,778	1,073,872	1,123,821		-
Two years later		502,000	558,132	593,496	790,197	906,323	1,049,986			-
Three years later		498,434	545,582	601,511	784,588	897,675				-
Four years later		492,329	540,200	597,496	788,068					-
Five years later		488,023	535,768	598,829						-
Six years later		482,876	534,241							-
Seven years later		473,683								-
<b>Current estimate of cumulative claims incurred</b>		473,683	534,241	598,829	788,068	897,675	1,049,986	1,123,821	<b>1,279,931</b>	

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Net general insurance claims liabilities as at 31 December 2017 (continued):

Group Accident year	Before									Total RM'000
	2010 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	
At end of accident year		188,247	201,756	216,325	294,253	326,831	356,733	468,300	518,300	
One year later		352,308	390,265	424,771	572,157	638,954	746,891	817,863	-	
Two years later		418,534	462,811	497,895	667,310	743,920	872,368	-	-	
Three years later		444,732	487,223	533,335	704,910	790,073	-	-	-	
Four years later		455,224	496,026	546,263	724,817	-	-	-	-	
Five years later		458,162	501,189	551,615	-	-	-	-	-	
Six years later		459,895	504,060	-	-	-	-	-	-	
Seven years later		460,867	-	-	-	-	-	-	-	
<b>Cumulative payments to-date</b>		460,867	504,060	551,615	724,817	790,073	872,368	817,863	518,300	
Net general insurance claims liabilities (direct and facultative)	16,733	12,816	30,181	47,214	63,251	107,602	177,618	305,958	761,631	1,523,004
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										43,259
Best estimate of claims liabilities										1,566,263
Claims handling expenses										20,952
PRAD at 75% confidence level										119,266
<b>Net general insurance claims liabilities</b>										<b>1,706,481</b>

## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Net general insurance claims liabilities as at 31 December 2016:

Group Accident year	Before									Total RM'000
	2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	
At end of accident year		472,716	517,803	622,921	675,017	875,651	971,458	1,101,454	1,200,101	
One year later		479,710	494,994	570,921	616,026	779,429	932,778	1,073,872	-	
Two years later		493,315	502,000	558,132	593,496	790,197	906,323	-	-	
Three years later		498,099	498,434	545,582	601,511	784,588	-	-	-	
Four years later		494,929	492,329	540,200	597,496	-	-	-	-	
Five years later		486,958	488,023	535,768	-	-	-	-	-	
Six years later		478,346	482,876	-	-	-	-	-	-	
Seven years later		465,698	-	-	-	-	-	-	-	
<b>Current estimate of cumulative claims incurred</b>		465,698	482,876	535,768	597,496	784,588	906,323	1,073,872	1,200,101	



## Notes to the Financial Statements

### 38. INSURANCE RISK (CONTINUED)

#### 38.2 General insurance contracts (continued)

##### Claims development table (continued)

##### Net general insurance claims liabilities as at 31 December 2016 (continued):

Group Accident year	Before									
	2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		191,803	188,247	201,756	216,325	294,253	326,831	356,733	468,300	
One year later		343,484	352,308	390,265	424,771	572,157	638,954	746,891		
Two years later		408,146	418,534	462,811	497,895	667,310	743,920			
Three years later		438,664	444,732	487,223	533,335	704,910				
Four years later		447,322	455,224	496,026	546,263					
Five years later		449,931	458,162	501,189						
Six years later		452,156	459,895							
Seven years later		452,874								
<b>Cumulative payments to-date</b>		452,874	459,895	501,189	546,263	704,910	743,920	746,891	468,300	
Net general insurance claims liabilities (direct and facultative)	25,017	12,824	22,981	34,579	51,233	79,678	162,403	326,981	731,801	1,447,497
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										59,887
Best estimate of claims liabilities										1,507,384
Claims handling expenses										15,270
PRAD at 75% confidence level										123,306
<b>Net general insurance claims liabilities</b>										<b>1,645,960</b>

## Notes to the Financial Statements

### 39. FINANCIAL RISKS

Exposure to credit, liquidity, market (currency risk, interest rate risk, equity price risk) and operational risk arises in the normal course of the Group's and the Company's business. The Group and the Company are guided by its risk management framework as well as policies and guidelines from the holding company, Allianz SE which set out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

#### 39.1 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the reinsurance assets, insurance receivables and the investment/placement in fixed income instruments and bank balances. The Company's exposure to credit risk arises principally from subordinated loan to subsidiary. Financial loss may materialise when the counterparties failed to meet payment obligations for various reasons.

The Group has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an on-going basis. Reinsurance is mainly to local insurers or offshore reinsurers, and if the Group has to place overseas, only counterparties that have a credit rating that is acceptable based on Allianz Guidelines for Reinsurance Security are used.

With effect from 12 September 2008, all new bond investments must carry a minimum rating of AA- by rating agencies established in Malaysia or a minimum rating of BBB- by any internationally recognised rating agency as outlined in the Group's Investment Mandate which is approved by the Board of Directors.

The Group and the Company consider rating of BBB and above as investment grades and ratings below BBB as non-investment grades. Assets which are not rated by rating agencies are classified as non-rated.

## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### *Credit exposure by credit rating*

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	← Neither past-due nor impaired →								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
<b>2017</b>									
LAR									
Malaysian government guaranteed loans	-	-	-	-	-	190,000	-	-	190,000
Other loans	-	-	-	-	-	99,583	-	-	99,583
Fixed and call deposits	75,304	102,710	-	-	-	-	9,129	-	187,143
AFS financial investments									
Malaysian government securities	-	-	-	-	-	2,579,820	-	-	2,579,820
Malaysian government guaranteed bonds	-	-	-	-	-	1,675,053	-	-	1,675,053
Ringgit denominated bonds by foreign issuers outside Malaysia	25,404	16,514	-	-	-	-	-	-	41,918
Unquoted bonds of corporations in Malaysia	816,454	767,987	-	3,748	-	-	-	-	1,588,189
Structured deposits and negotiable certificate of deposits with licensed financial institutions	94,149	-	-	-	-	-	-	-	94,149
FVTPL – HFT financial investments									
Malaysian government securities	-	-	-	-	-	465,707	11,605	-	477,312
Malaysian government guaranteed bonds	-	-	-	-	-	499,510	30,955	-	530,465
Ringgit denominated bonds by foreign issuers outside Malaysia	1,524	-	-	-	-	-	3,556	-	5,080
Unquoted bonds of corporations in Malaysia	389,959	373,550	-	-	-	2,012	350,507	-	1,116,028
Structured deposits with licensed financial institutions	15,108	-	-	-	-	-	15,108	-	30,216

## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### *Credit exposure by credit rating (continued)*

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	← Neither past-due nor impaired →								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
<b>2017 (continued)</b>									
FVTPL – DUIR financial investments									
Malaysian government securities	-	-	-	-	-	582,848	-	-	582,848
Malaysian government guaranteed bonds	-	-	-	-	-	460,220	-	-	460,220
Ringgit denominated bonds by foreign issuers outside Malaysia	10,162	8,507	-	-	-	-	-	-	18,669
Unquoted bonds of corporations in Malaysia	901,943	731,476	-	5,180	-	48,278	-	-	1,686,877
Unquoted bonds of corporations outside Malaysia	-	-	27,201	50,354	-	37,914	-	-	115,469
Structured deposits and negotiable certificate of deposits with licensed financial institutions	133,449	-	-	-	-	-	-	-	133,449
Derivative financial assets									
Collateralised forward starting interest rate swap	7,259	-	-	-	-	-	-	-	7,259
Collateralised interest rate swap	13,827	-	-	-	-	-	-	-	13,827
Cross currency swap	4,352	-	-	-	-	-	-	-	4,352
Forward purchase agreements	99	-	-	-	-	-	-	-	99
Reinsurance assets	-	94,557	17,377	3	-	418,269	-	-	530,206
Insurance receivables	-	529	1,209	-	-	242,063	-	6,324 <sup>#</sup>	250,125
Other receivables and deposits	-	-	-	-	-	243,574	17,397	-	260,971
Cash and cash equivalents	548,060	166,503	26,760	-	-	1,147	192,067	-	934,537
	<b>3,037,053</b>	<b>2,262,333</b>	<b>72,547</b>	<b>59,285</b>	<b>-</b>	<b>7,545,998</b>	<b>630,324</b>	<b>6,324</b>	<b>13,613,864</b>

<sup>#</sup> Net of balances which are past due and impaired of RM59,166,000 which has been fully provided (See Note 39.1(ii)).

## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### *Credit exposure by credit rating (continued)*

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Company	← Neither past-due nor impaired →					Non-investment grade RM'000	Non-rated RM'000	Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BBB				
<b>2017</b>									
LAR									
Fixed and call deposits	9,718	-	-	-	-	-	-	-	9,718
Other receivables and deposits	-	-	-	-	-	-	85,384	-	85,384
Subordinated loan	-	-	-	-	-	-	54,300	-	54,300
Cash and cash equivalents	27,167	10,261	6,317	-	-	-	-	-	43,745
	<b>36,885</b>	<b>10,261</b>	<b>6,317</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>139,684</b>	<b>-</b>	<b>193,147</b>

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### *Credit exposure by credit rating (continued)*

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	← Neither past-due nor impaired →								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
<b>2016</b>									
LAR									
Malaysian government guaranteed loans	-	-	-	-	-	190,000	-	-	190,000
Other loans	-	-	-	-	-	107,555	-	-	107,555
Fixed and call deposits	198,770	246,490	-	-	-	-	3,110	-	448,370
AFS financial investments									
Malaysian government securities	-	-	-	-	-	2,471,201	-	-	2,471,201
Malaysian government guaranteed bonds	-	-	-	-	-	1,535,799	-	-	1,535,799
Ringgit denominated bonds by foreign issuers outside Malaysia	32,036	42,050	-	-	-	-	-	-	74,086
Unquoted bonds of corporations in Malaysia	621,425	737,115	-	3,749	-	-	-	-	1,362,289
Structured deposits and negotiable certificate of deposits with licensed financial institutions	94,232	-	-	-	-	-	-	-	94,232
FVTPL – HFT financial investments									
Malaysian government securities	-	-	-	-	-	396,801	40,832	-	437,633
Malaysian government guaranteed bonds	-	-	-	-	-	370,470	26,981	-	397,451
Ringgit denominated bonds by foreign issuers outside Malaysia	-	1,529	-	-	-	-	3,569	-	5,098
Unquoted bonds of corporations in Malaysia	274,231	303,336	-	-	-	-	229,550	-	807,117
Structured deposits with licensed financial institutions	15,146	-	-	-	-	-	15,148	-	30,294



## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### *Credit exposure by credit rating (continued)*

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	← Neither past-due nor impaired →								Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
<b>2016 (continued)</b>									
FVTPL – DUIR financial investments									
Malaysian government securities	-	-	-	-	-	456,618	-	-	456,618
Malaysian government guaranteed bonds	-	-	-	-	-	384,367	-	-	384,367
Ringgit denominated bonds by foreign issuers outside Malaysia	3,003	18,727	-	-	-	-	-	-	21,730
Unquoted bonds of corporations in Malaysia	730,113	763,638	-	5,180	-	-	-	-	1,498,931
Unquoted bonds of corporations outside Malaysia	-	-	21,679	53,294	-	41,792	-	-	116,765
Structured deposits and negotiable certificate of deposits with licensed financial institutions	133,473	-	-	-	-	-	-	-	133,473
Derivative financial assets									
Collateralised forward starting interest rate swap	14,996	-	-	-	-	-	-	-	14,996
Forward purchase agreements	429	-	-	-	-	-	-	-	429
Reinsurance assets	-	88,511	26,262	22	-	489,642	-	-	604,437
Insurance receivables	-	399	1,062	-	-	241,235	-	27,477 <sup>#</sup>	270,173
Other receivables and deposits	-	-	-	-	-	240,732	16,931	-	257,663
Cash and cash equivalents	366,474	139,005	24,487	-	-	488	94,850	-	625,304
	2,484,328	2,340,800	73,490	62,245	-	6,926,700	430,971	27,477	12,346,011

<sup>#</sup> Net of balances which are past due and impaired of RM21,644,000 which has been fully provided (See Note 39.1(ii)).

## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### *Credit exposure by credit rating (continued)*

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Company	← Neither past-due nor impaired →							Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Past-due but not impaired RM'000	
<b>2016</b>								
Other receivables and deposits	-	-	-	-	-	67,019	-	67,019
Subordinated loan	-	-	-	-	-	54,300	-	54,300
Cash and cash equivalents	18,077	4,095	7,554	-	-	-	-	29,726
	18,077	4,095	7,554	-	-	121,319	-	151,045

The Group has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

#### (i) Past-due but not impaired financial assets

##### *Age analysis of financial assets past-due but not impaired*

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

Group	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Investment- linked funds RM'000	Total RM'000
<b>2017</b>						
Insurance receivables	2,635	857	798	2,034	-	6,324
<b>2016</b>						
Insurance receivables	21,255	1,762	2,928	1,532	-	27,477

## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### (ii) Past-due and impaired financial assets

As at 31 December 2017, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM59,166,000 (2016: RM21,644,000) and other receivables of RM2,022,000 (2016: RM1,987,000) respectively. No collateral is held as security for any past-due or impaired financial assets. The Group records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses for the aforesaid insurance receivables and other receivables are as follows:

Group	Insurance receivables		Other receivables	
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
<b>At 1 January</b>	<b>21,644</b>	21,076	<b>1,987</b>	742
Impairment loss recognised	<b>37,522</b>	568	<b>35</b>	1,245
<b>At 31 December</b>	<b>59,166</b>	21,644	<b>2,022</b>	1,987
	Note 11	Note 11	Note 12	Note 12

#### 39.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Group and the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Group and the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a sufficient portion of liquid assets in the portfolio. Some other tools used by the Group include ensuring that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

##### **Maturity profiles**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities of life insurance and provision for claims of general insurance, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Investment-linked funds' liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.2 Liquidity risk (continued)

##### *Maturity profiles (continued)*

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<b>2017</b>								
Insurance contract liabilities								
With DPF	3,980,328	910,215	327,243	400,099	1,814,428	5,665,097	5,980	9,123,062
Without DPF	4,501,963	4,110,776	33,878	59,585	262,299	221,059	-	4,687,597
Derivative financial liabilities	5,251	226	1,231	3,794	-	-	-	5,251
Provision for claims	1,690,486	1,040,967	537,750	99,340	12,429	-	-	1,690,486
Other financial liabilities	20,710	20,280	430	-	-	-	-	20,710
Insurance payables	430,764	420,906	9,858	-	-	-	-	430,764
Other payables and accruals	408,558	409,812	-	-	-	-	-	409,812
Benefits and claims liabilities	331,296	331,296	-	-	-	-	-	331,296
<b>Total liabilities</b>	<b>11,369,356</b>	<b>7,244,478</b>	<b>910,390</b>	<b>562,818</b>	<b>2,089,156</b>	<b>5,886,156</b>	<b>5,980</b>	<b>16,698,978</b>
<b>Company</b>								
<b>2017</b>								
Other payables and accruals	103,790	105,044	-	-	-	-	-	105,044
<b>Group</b>								
<b>2016</b>								
Insurance contract liabilities								
With DPF	3,812,445	765,386	306,108	325,136	1,874,681	7,632,677	5,980	10,909,968
Without DPF	3,535,517	3,138,548	42,450	30,263	284,683	259,746	-	3,755,690
Derivative financial liabilities	13,873	-	1,457	12,416	-	-	-	13,873
Provision for claims	1,677,124	1,007,985	547,002	99,486	22,651	-	-	1,677,124
Other financial liabilities	5,346	4,783	563	-	-	-	-	5,346
Insurance payables	372,450	361,246	11,204	-	-	-	-	372,450
Other payables and accruals	371,881	319,916	55,477	-	-	-	-	375,393
Benefits and claims liabilities	253,726	253,726	-	-	-	-	-	253,726
<b>Total liabilities</b>	<b>10,042,362</b>	<b>5,851,590</b>	<b>964,261</b>	<b>467,301</b>	<b>2,182,015</b>	<b>7,892,423</b>	<b>5,980</b>	<b>17,363,570</b>
<b>Company</b>								
<b>2016</b>								
Other payables and accruals	259,998	208,033	55,477	-	-	-	-	263,510

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to participations. This includes changes in market prices due to worsening of market liquidity. Market risk comprises of currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee actively monitors the investment activities undertaken by the Group.
- Investment Committee would recommend the initiatives after balancing competing and legitimate objective of various stakeholders.
- The Investment Policy and Mandate which formulated the single counter limits, company limits and sector limits are in place. Compliance to such limits is monitored monthly and reported to Risk Management Working Committee/Risk Management Committee on a quarterly basis.
- Stress tests are performed as and when needed.
- Stop loss policy is in place.

The Group also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from fund management charges is based on the value of the assets in the funds.

##### 39.3.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign currency risk arises principally with respect to US Dollar (USD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk. All foreign currency risk in investment-linked funds is borne by policyholders.

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.3 Market risk (continued)

##### 39.3.1 Currency risk (continued)

###### Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Group	Life fund	Investment- linked funds	Life fund	Investment- linked funds
	2017	2017	2016	2016
	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>				
<b>Denominated in</b>				
USD	115,469	11,918	116,765	12,633
SGD	–	566	–	15,505
THB	–	3,161	–	5,028
IDR	–	15,807	–	4,382

###### Currency risk sensitivity analysis

It is estimated that a 10% (2016: 10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have decreased the insurance contract liabilities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

Group	Impact on insurance contract liabilities	Impact on insurance contract liabilities
	2017	2016
	RM'000	RM'000
<b>Denominated in</b>		
USD	(12,739)	(12,940)
SGD	(57)	(1,551)
THB	(316)	(503)
IDR	(1,581)	(438)

It is estimated that a 10% (2016: 10%) weakening of the Ringgit Malaysia (RM) against the above currencies at the end of the reporting period would have equal but opposite effect on the above currencies to the amount shown above, on the basis that all variables remained constant.

The method used for deriving sensitivity information and significant variables did not change from previous year. Only life participating fund and investment-linked funds invested in foreign financial instruments.



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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.3 Market risk (continued)

##### 39.3.2 Interest rate risk

The Group is affected by changes in market interest rate due to the change in interest rates will affect the value of mark to market fixed income investments and also the valuation of the liabilities, resulting in the risk of not being able to meet product guarantees.

Besides the uncertainty of the cash flows of the insurance funds and scarcity of the longer dated instruments, it is not possible to hold assets that will perfectly match the policy liabilities.

##### Interest rate risk sensitivity analysis

The analysis below is performed for reasonable possible movements in interest rates with all other variables held constant, showing the impact on the profit before tax, equity and insurance contract liabilities.

##### Life insurance:

Group	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
<b>31 December 2017</b>				
Interest rate	+100 basis points	(86,407)	(69,975)	(355,465)
Interest rate	-100 basis points	95,174	76,902	407,903
<b>31 December 2016</b>				
Interest rate	+100 basis points	(67,607)	(54,259)	(318,486)
Interest rate	-100 basis points	73,948	59,184	366,225

The impact on profit before tax would be dependent on whether the interest rate risk resides in shareholders' fund, life non-participating fund, life participating fund, or investment-linked funds. Where the interest rate risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit before tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in interest rate risk would affect the insurance contract liabilities.

\* Impact on equity reflects adjustments for tax, where applicable.

\*\* The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.3 Market risk (continued)

##### 39.3.2 Interest rate risk (continued)

###### Interest rate sensitivity analysis (continued)

###### General insurance:

Group	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000
<b>31 December 2017</b>			
Interest rate	+100 basis points	-	(107,801)
Interest rate	+50 basis points	-	(53,900)
<b>31 December 2016</b>			
Interest rate	+100 basis points	-	(100,579)
Interest rate	+50 basis points	-	(50,289)

\* Impact on equity reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

##### 39.3.3 Equity price risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity price risk exposures relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments securities not held for the account of the investment-linked business.

The Group's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Group complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

## Notes to the Financial Statements

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.3 Market risk (continued)

##### 39.3.3 Equity price risk (continued)

##### Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit before tax, equity and insurance contract liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

##### Life insurance:

Group	Changes in variables	2017		2016		Impact on insurance contract liabilities** RM'000	Impact on insurance contract liabilities** RM'000
		Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on profit before tax# RM'000	Impact on equity* RM'000		
<b>Market indices</b>							
Market value	-10%	-	-	(178,261)	-	-	(149,432)
Market value	-20%	-	-	(356,521)	-	-	(298,864)

# The above illustration is only prepared for adverse scenario, where market price is being moved in an unfavourable direction. The impact on profit before tax would be dependent on whether the equity price risk resides in shareholders' fund, life non-participating fund, life participating fund or investment-linked funds. Where the equity price risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit before tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in equity price risk would affect the insurance contract liabilities. The above sensitivity test would yield proxy results if market price were to move in the opposite direction, with the Group.

\* Impact on equity reflects adjustments for tax, where applicable.

\*\* The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

Only life participating fund, universal life fund and investment-linked funds invested in equity securities.

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.4 Operational risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Group's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Relevant operational risks and control weaknesses are identified and evaluated via a structured self-assessment. Besides, operational risk events are collected so that significant losses can be used to analyse and provide measures aimed at avoiding or reducing future losses.

The Group puts in place the following controls to monitor and mitigate such risk:

- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training; and
- Evaluation procedures such as internal audit.

#### 39.5 Fair value of financial instruments

The Group's and the Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits, negotiable certificate of deposits, collateralised forward starting interest rate swap, collateralised interest rate swap, forward purchase agreements and cross currency swap are based on the indicative market prices from the issuing banks.
- The fair values of quoted equity securities of corporations in and outside Malaysia and quoted unit trusts in Malaysia are based on quoted market bid price as at the end of the reporting period.
- The unquoted equity securities of corporations in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified.
- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank.
- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers.
- The carrying amounts of Malaysian government guaranteed loans, policy loans, mortgage loans, automatic premium loans, fixed and call deposits, subordinated loan, other secured loans, other financial liabilities and advance from holding company are assumed to reasonably approximate their fair values.
- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits, insurance payables, other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Group's investment in unquoted equity securities of corporations in Malaysia due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.5 Fair value of financial instruments (continued)

##### 39.5.1 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2017</b>								
<b>Financial assets</b>								
Malaysian government securities	-	3,639,980	-	-	-	-	3,639,980	3,639,980
Malaysian government guaranteed bonds	-	2,665,738	-	-	-	-	2,665,738	2,665,738
Ringgit denominated bonds by foreign issuers outside Malaysia	-	65,667	-	-	-	-	65,667	65,667
Quoted equity securities of corporations in Malaysia	1,875,382	-	-	-	-	-	1,875,382	1,875,382
Quoted equity securities of corporations outside Malaysia	4,507	-	-	-	-	-	4,507	4,507
Unquoted bonds of corporations in Malaysia	-	4,391,094	-	-	-	-	4,391,094	4,391,094
Unquoted bonds of corporations outside Malaysia	-	115,469	-	-	-	-	115,469	115,469
Quoted unit trusts in Malaysia	57,726	-	-	-	-	-	57,726	57,726
Unquoted unit trusts in Malaysia	-	19,375	-	-	-	-	19,375	19,375
Unquoted unit trusts outside Malaysia	-	26,945	-	-	-	-	26,945	26,945
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	257,814	-	-	-	-	257,814	257,814
Malaysian government guaranteed loans	-	-	-	-	190,000	-	190,000	190,000
Collateralised forward starting interest rate swap	-	7,259	-	-	-	-	7,259	7,259
Collateralised interest rate swap	-	13,827	-	-	-	-	13,827	13,827
Forward purchase agreements	-	99	-	-	-	-	99	99
Cross currency swap	-	4,352	-	-	-	-	4,352	4,352
	<b>1,937,615</b>	<b>11,207,619</b>	<b>-</b>	<b>-</b>	<b>190,000</b>	<b>-</b>	<b>13,145,234</b>	<b>13,335,234</b>
							<b>190,000</b>	<b>13,335,234</b>

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.5 Fair value of financial instruments (continued)

##### 39.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000		
<b>Group</b>								
<b>2017</b>								
<b>Financial liabilities</b>								
Advance from holding company	-	-	-	-	-	-	54,300	54,300
Forward purchase agreements	-	3,318	-	3,318	-	-	3,318	3,318
Cross currency swap	-	1,933	-	1,933	-	-	1,933	1,933
	-	5,251	-	5,251	-	54,300	59,551	59,551
<b>Company</b>								
<b>2017</b>								
<b>Financial liability</b>								
Advance from holding company	-	-	-	-	-	-	54,300	54,300



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#### 39.5 Fair value of financial instruments (continued)

##### 39.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2016</b>								
<b>Financial assets</b>								
Malaysian government securities	-	3,365,452	-	3,365,452	-	-	3,365,452	3,365,452
Malaysian government guaranteed bonds	-	2,317,617	-	2,317,617	-	-	2,317,617	2,317,617
Ringgit denominated bonds by foreign issuers outside Malaysia	-	100,914	-	100,914	-	-	100,914	100,914
Quoted equity securities of corporations in Malaysia	1,544,889	-	-	1,544,889	-	-	1,544,889	1,544,889
Quoted equity securities of corporations outside Malaysia	24,916	-	-	24,916	-	-	24,916	24,916
Unquoted bonds of corporations in Malaysia	-	3,668,337	-	3,668,337	-	-	3,668,337	3,668,337
Unquoted bonds of corporations outside Malaysia	-	116,765	-	116,765	-	-	116,765	116,765
Quoted unit trusts in Malaysia	54,458	-	-	54,458	-	-	54,458	54,458
Unquoted unit trusts in Malaysia	-	6,023	-	6,023	-	-	6,023	6,023
Unquoted unit trusts outside Malaysia	-	12,633	-	12,633	-	-	12,633	12,633
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	257,999	-	257,999	-	-	257,999	257,999
Malaysian government guaranteed loans	-	-	-	-	190,000	-	190,000	190,000
Collateralised forward starting interest rate swap	-	14,996	-	14,996	-	-	14,996	14,996
Forward purchase agreements	-	429	-	429	-	-	429	429
	1,624,263	9,861,165	-	11,485,428	190,000	-	11,675,428	11,675,428

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### 39. FINANCIAL RISKS (CONTINUED)

#### 39.5 Fair value of financial instruments (continued)

##### 39.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>Group</b>								
<b>2016</b>								
<b>Financial liabilities</b>								
Advance from holding company	-	-	-	-	54,300	-	54,300	54,300
Forward purchase agreements	-	3,114	-	3,114	-	-	3,114	3,114
Cross currency swap	-	10,759	-	10,759	-	-	10,759	10,759
	-	13,873	-	13,873	54,300	-	54,300	68,173
<b>Company</b>								
<b>2016</b>								
<b>Financial liability</b>								
Advance from holding company	-	-	-	-	54,300	-	54,300	54,300

##### Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2016: no transfer in either direction).

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### 40. CAPITAL MANAGEMENT

#### Regulatory capital requirements

The Risk-Based Capital Framework ("RBC Framework") came into effect on 1 January 2009. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The insurance subsidiaries of the Group have been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

### 41. CONTINGENT LIABILITIES

On 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by AGIC pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia's ("BNM") directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, AGIC received MyCC's notice of proposed decision ("Proposed Decision") that AGIC and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AGIC, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, AGIC submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. AGIC's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. MyCC has not provided an indicative timeline for delivery of its decision.

The Proposed Decision is not final as at the date of this report, and AGIC in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

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## Notes to the Financial Statements

### 42. MATERIAL LITIGATION

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as BMB) ("CAB") previously in respect of CAB's Extended Warranty Program ("EWP").

AGIC took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. AGIC's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, AGIC commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify AGIC for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The hearing on liability has concluded and the latest timelines for filing and exchange of Closing Submissions and Reply Submissions are 30 August 2017 and 27 September 2017. The Oral Submissions took place on 12 October 2017 and 13 October 2017, during which the Tribunal sought some clarification in response to which AGIC's solicitors prepared and filed AGIC's Further Written Submissions. VSC's solicitors then responded with VSC's Further Written Submissions. AGIC's solicitors then prepared and filed AGIC's Rebuttal Submissions to clarify VSC's citation of certain cases.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC (the "Award") whilst the Dissenting Arbitrator found in favour of AGIC.

AGIC's solicitors are of the view that there are reasonable grounds to seek a review of the majority decision, including to set aside the Award.

# Statement by Directors

pursuant to Section 251 (2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 165 to 287 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

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.....  
**Tan Sri Datuk (Dr.) Rafiah Binti Salim**  
**Director**

.....  
**Dato' Dr. Thillainathan A/L Ramasamy**  
**Director**

Kuala Lumpur

Date: 22 February 2018

# Statutory Declaration

pursuant to Section 251 (1)(b) of the Companies Act 2016

I, **Ong Eng Chow**, the officer primarily responsible for the financial management of Allianz Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 165 to 287 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ong Eng Chow, I/C No: 650421-71-5931, at Kuala Lumpur in the Federal Territory on 22 February 2018.

.....  
**Ong Eng Chow**

Before me:

**Gurdeep Singh A/L Jag Singh**

No. W607

Pesuruhjaya Sumpah

Kuala Lumpur



# Independent Auditors' Report

to the members of Allianz Malaysia Berhad

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### Opinion

We have audited the financial statements of Allianz Malaysia Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 165 to 287.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

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## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### Valuation of life insurance actuarial liabilities (RM6,828 million)

Refer to Note 16(a) – Life insurance actuarial liabilities

The key audit matter	How the matter was addressed in our audit
<p>Valuation of life insurance actuarial liabilities is a key audit matter because significant judgement is required in determining the ultimate total settlement value of long term policyholder liabilities and in the choice of assumptions. Economic assumptions, such as discount rates, and the operating assumptions, such as mortality and morbidity, persistency and expenses are the key inputs used in the valuation of these long term liabilities.</p> <p>Specific audit and actuarial expertise is required to evaluate these complex and judgemental methods and assumptions.</p>	<p>In this area, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"><li>• evaluating the design and implementation as well as testing the operating effectiveness of key controls in the life insurance actuarial liabilities measurement process. This included testing of controls over the integrity of data used in the calculation of insurance actuarial liabilities.</li><li>• we used our own actuarial specialist to assist us in challenging the methodology and assumptions used by the Group.</li><li>• we evaluated whether the Group’s valuation methodology for estimating the long term liabilities is in line with the valuation methods specified in the Risk-Based Capital Framework (“RBC Framework”) set out in Note 2.25.2 to the financial statements.</li><li>• we challenged the appropriateness of the key actuarial assumptions, particularly around discount rates, mortality and morbidity, persistency and expenses by comparing them with our expectations based on the Group’s actual historical experience, current trends and our views on experience to-date.</li><li>• we assessed the analysis of movements in insurance actuarial liabilities and considered whether the movements during the year are consistent with the key actuarial assumptions adopted by the Group and our general understanding of developments in the life insurance business.</li><li>• we also assessed whether the Group’s disclosures in relation to insurance actuarial liabilities are in line with relevant accounting requirements, including the sensitivities testing of the key actuarial assumptions to alternative scenarios.</li></ul>

## Independent Auditors' Report

### KEY AUDIT MATTERS (CONTINUED)

#### Valuation of general insurance claims liabilities (RM1,706 million)

Refer to Note 16(b) – General insurance claims liabilities

The key audit matter	How the matter was addressed in our audit
<p>Valuation of general insurance claims liabilities is a key audit matter because significant judgement is required, particularly in determining the ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with the related claims handling costs. A range of methods have been used to determine these claim provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims incurred.</p>	<p>In this area, our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>evaluating the design and implementation as well as testing the operating effectiveness of key controls in the general insurance claims liabilities measurement process. These included controls over the integrity of data used in the calculation of claims liabilities and controls over individual claims case estimates and settlements.</li> <li>we tested the underlying data used in the Group claims estimation process to source documents.</li> <li>we used our own actuarial specialist to assist us in challenging the methods and assumptions used by the Group.</li> <li>we evaluated whether the Group's valuation methodology for estimating the insurance claims liabilities is in line with the valuation methods specified in the RBC Framework set out in Note 2.25.1 to the financial statements.</li> <li>we challenged the appropriateness of the key actuarial assumptions, particularly around loss ratios adopted, estimates of the frequency and severity of claims, and provision for risk margins by comparing them with our expectations based on the Group's actual historical experience, current trends and our own industry knowledge.</li> <li>our actuarial specialist performed independent re-projections of selected classes of business, particularly focusing on the largest and most uncertain claims reserves. For these selected classes, we compared our re-projected claims reserves to those recorded by management, and sought to evaluate significant differences, if any.</li> <li>we also assessed whether the Group's disclosures in relation to insurance claims liabilities are in line with relevant accounting requirements, including the sensitivities of the key actuarial assumptions to alternative scenarios and historical claims development.</li> </ul>
<p>Understanding of the general insurance industry and actuarial expertise is required to evaluate these judgemental methods and assumptions.</p>	

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### KEY AUDIT MATTERS (CONTINUED)

#### Valuation of harder to value investments (RM4,572 million)

Refer to Note 9 – Investments

The key audit matter	How the matter was addressed in our audit
<p>Investments are the largest asset component on the statements of financial position, representing 82% of the Group's total assets.</p>	<ul style="list-style-type: none"><li>• In this area, our audit procedures included evaluating the design and implementation as well as testing the operating effectiveness of key controls over investment valuation and impairment assessment processes.</li></ul>
<p>In particular, the risk associated with valuation is higher over harder to value investments because reliable quoted prices are not always readily available.</p>	<ul style="list-style-type: none"><li>• We used our own valuation specialist to assist us in performing independent price checks using various sources of external quotes. We compared our independent market reference prices to the market prices recorded by management, and sought to understand significant differences, if any, that are greater than the range of acceptable prices derived by our valuation specialist.</li></ul>
<p>Investments comprising the unquoted Ringgit denominated bonds and unquoted bonds of corporations amounting to RM4,572 million (representing 34% of total investments balance) are considered harder to value as up-to-date prices are not readily available as the bonds are not publicly traded on any exchange. Reliability of prices of these bonds are also affected when there is low trading volume or inactivity. The market prices of these bonds are presently based on the indicative market prices provided by the Group's custodian bank.</p>	<ul style="list-style-type: none"><li>• We assessed and challenged the Group's assessment to identify any impairment in relation to the unquoted corporate bonds by reference to publicly available information such as credit ratings of the respective bond issuers.</li></ul>
<p>The valuation of these bonds will have an impact on the assessment of impairment. The Group recognises impairment losses based on the significant decline in the fair value for the AFS investments and fair value changes for FVTPL investments in the statements of profit or loss and other comprehensive income. Where limited observable market inputs are available, this requires management to exercise higher level of judgement.</p>	<ul style="list-style-type: none"><li>• We also assessed whether the Group's disclosures in relation to the valuation of investments are in line with the accounting policies set out in Note 2.26 to the financial statements.</li></ul>

## Independent Auditors' Report

### KEY AUDIT MATTERS (CONTINUED)

#### Valuation of goodwill (RM245 million)

Refer to Note 4.1 – Goodwill

The key audit matter	How the matter was addressed in our audit
Valuation of goodwill is a key audit matter because significant judgement is required in determining the recoverable amount of goodwill.	<ul style="list-style-type: none"> <li>In this area, our audit procedures included testing the Group's budgeting procedures upon which the forecast is based. We compared the forecast to Board approved business plan and also compared previous forecast to most recent actual results to assess the performance of the business and the reliability of management's forecasting process.</li> <li>We used our own valuation specialist to assist us in challenging the key assumptions and methodology used by the Group to determine the recoverable amount, in particular, those relating to the discount rate and terminal growth rate. This included comparing the Group's assumptions to external data as well as our own assessment in relation to key assumptions such as projected economic growth and discount rates.</li> <li>We also reviewed the sensitivity analysis performed by management on the discount rate and terminal growth rate to further challenge the appropriateness of the Group's key assumptions.</li> </ul>
The most significant judgements relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the forecasted growth rates and terminal growth rate.	
We focused on the goodwill attributable to the general insurance business of RM240 million given that it represents 98% of the Group's total goodwill balance.	

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we had obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after this date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the remaining parts of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors of the Company and take appropriate actions in accordance with approved standards on auditing in Malaysia and International Standards on Auditing.

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### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.



## Independent Auditors' Report

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

.....  
**KPMG PLT**

(LLP0010081 – LCA & AF 0758)  
Chartered Accountants

Petaling Jaya  
Date: 22 February 2018

.....  
**Foong Mun Kong**

Approval Number: 02613/12/2018 J  
Chartered Accountant

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# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 44th Annual General Meeting (“AGM”) of Allianz Malaysia Berhad will be held at Grand Ballroom, Level 2, Aloft Kuala Lumpur Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Tuesday, 22 May 2018 at 10.00 a.m. for the following purposes:-

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Directors’ and Auditors’ Reports thereon.
2. To approve the following payments to Non-Executive Directors of the Company and its insurance subsidiaries:-
  - (a) Directors’ fees of RM2,542,091 for the financial year ended 31 December 2017. [Ordinary Resolution 1](#)
  - (b) Directors’ remuneration (excluding Directors’ fees) of up to an amount of RM1,108,090 from 23 May 2018 until the next AGM of the Company. [Ordinary Resolution 2](#)
3. To re-elect the following Directors:-
  - (a) Y. Bhg. Dato’ Dr. Thillainathan A/L Ramasamy, who retires by rotation in accordance with Article 96 of the Articles of Association (Constitution) of the Company and being eligible, offer himself for re-election. [Ordinary Resolution 3](#)
  - (b) Y.A.M. Tunku Zain Al-’Abidin Ibni Tuanku Muhriz, who retires by rotation in accordance with Article 97 of the Articles of Association (Constitution) of the Company and being eligible, offer himself for re-election. [Ordinary Resolution 4](#)
4. To consider and if thought fit, to pass the following Ordinary Resolution:-

**Appointment of Auditors** [Ordinary Resolution 5](#)

“That Messrs. PricewaterhouseCoopers PLT be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs. KPMG PLT and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors.”

### SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:-

5. **Proposed Shareholders’ Mandate for Recurrent Related Party Transactions with Allianz SE Group** [Ordinary Resolution 6](#)

“THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions with Allianz SE Group as specified in Section 2.2 (A) of the Company’s Circular to Shareholders dated 23 April 2018, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

  - (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or
  - (b) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

## Notice of Annual General Meeting

(c) revoked or varied by resolution passed by the shareholders in a general meeting; whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing all documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

6. **Proposed Shareholders’ Mandate for Recurrent Related Party Transactions with Shook Lin & Bok**

[Ordinary Resolution 7](#)

“THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transaction with Shook Lin & Bok as specified in Section 2.2 (B) of the Company’s Circular to Shareholders dated 23 April 2018, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or
- (b) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing all documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

7. **Proposed Shareholders’ Mandate for Recurrent Related Party Transactions with Rapidpro Consulting Sdn Bhd**

[Ordinary Resolution 8](#)

“THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transaction with Rapidpro Consulting Sdn Bhd as specified in Section 2.2 (C) of the Company’s Circular to Shareholders dated 23 April 2018, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or

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(b) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting; whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing all documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.”

8. To transact any other business for which due notice shall have been given.

#### **By Order of the Board**

#### **NG SIEW GEK**

Company Secretary

Kuala Lumpur  
23 April 2018

#### **NOTES TO MEMBERS AND PROXY**

##### **A. APPOINTMENT OF PROXY/PROXIES**

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming 44th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 14 May 2018. Only a depositor whose name appears in the Record of Depositors as at 14 May 2018 shall be entitled to attend and vote at the 44th AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the 44th AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his/her shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee (“EAN”) as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the EAN specifies the proportion of its shareholding to be represented by each proxy.
6. The instrument of proxy must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
7. The instrument of proxy shall be deposited at the Registered Office of the Company at Level 29, Menara Allianz Sentral, 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than twenty-four (24) hours before the appointed time for holding the 44th AGM.

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### B. EXPLANATORY NOTES ON ORDINARY BUSINESS

#### 1. Audited Financial Statements for the financial year ended 31 December 2017

The Audited Financial Statements for the financial year ended 31 December 2017 and the Directors' and Auditors' Reports thereon are laid before the shareholders pursuant to the provision of Section 340 (1)(a) of the Companies Act 2016 and are for discussion only. Hence, this item will not be put for voting.

#### 2. Directors' Remuneration for Non-Executive Directors

Pursuant to Section 230 (1)(b) of the Companies Act 2016 which requires fees and any benefits payable to the Directors of listed company and its subsidiaries to be approved at a general meeting, the proposed payment of Directors' fees and Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors under Ordinary Resolutions 1 and 2 include remuneration payable to Non-Executive Directors by the Company's insurance subsidiaries, namely Allianz Life Insurance Malaysia Berhad ("ALIM") and Allianz General Insurance Company (Malaysia) Berhad ("AGIC").

##### (a) Directors' fees for the financial year ended 31 December 2017

The Directors' fees for the financial year ended 31 December 2017 are made up of the following components and are only payable to Non-Executive Directors:-

##### (i) Fees for acting as a Director

A fixed fee is allocated to each member of the Board, a fee premium is allocated to the Chairman of the Board in view of additional accountabilities and responsibilities assumed by the Chairman.

##### (ii) Fees for assuming additional responsibilities

Additional fees are allocated to Directors who assumed more responsibilities via their appointments in various Board Committees. A fee premium is allocated to the Chairman of the respective Board Committees in view of additional accountabilities and responsibilities assumed by them.

Following the issuance of the Directors' Remuneration Report 2015 by the Financial Institutions Directors' Education Forum ("FIDE Remuneration Report") on 7 December 2015, the Remuneration Committee had in 2016 reviewed the recommendations of the FIDE Remuneration Report and recommended a proposed 3-year step up plan (2016 – 2018) for Directors' remuneration, based on the following rationales:-

- (i) to ensure competitiveness of Board remuneration. The proposed increase will enable the Directors' remuneration to be in line with that recommended by the FIDE Remuneration Report and commensurate with the responsibilities and risks assumed by the Directors; and
- (ii) to retain Directors. The current Boards of the Company and its insurance subsidiaries are made up of creditable and highly professional Directors, with all of them having good reputation and extensive experience locally and globally in their areas of expertise.

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The respective Boards of the Company and its insurance subsidiaries having reviewed the recommendations of the Nomination and Remuneration Committee, recommended the following Directors' fees payable to the Non-Executive Directors for the financial year ended 31 December 2017, for the shareholders' approval:-

	Company	ALIM	AGIC	Grand Total
Directors' Fees	RM720,671 (2016: RM628,407)	RM850,245 (2016: RM618,192)	RM971,175 (2016: RM720,165)	RM2,542,091 (2016: RM1,966,764)

All the Non-Executive Directors had abstained from the deliberation and voting on their respective proposed Directors' fees at the respective Nomination and Remuneration Committee Meeting and Board Meetings, where applicable.

The proposed Directors' fees for the financial year ended 31 December 2017 are detailed in the Corporate Governance Report.

- (b) Directors' remuneration (excluding Directors' fees) for the period from 23 May 2018 to the next AGM of the Company

The Directors' remuneration (excluding Directors' fees) comprises allowances and benefits payable to the Chairman and members of the Board of the Company and its insurance subsidiaries as well as Board Committees. The Directors' remuneration (excluding Directors' fees) structure is as set out below:-

Description	Year	Company		Insurance Subsidiaries	
		Chairman	Board Members	Chairman	Board Members
Monthly Fixed Allowance	2018	RM12,000	Nil	RM12,000	Nil
	2019	RM12,000	Nil	RM12,000	Nil
Meeting Allowance – Board – Board Committees	2018	RM2,645 (per meeting)		RM2,645 (per meeting)	
	2019				
Benefits	2018	Insurance*, company car and driver	Insurance*	Insurance*	
	2019				

\* Medical, personal accident and Directors' and Officers' Liability.

The monthly fixed allowance is given to the Chairman in view of the Chairman's significant role in leadership and oversight as well as his/her wide range of responsibilities, amongst others, providing guidance on strategy and supporting Management in engaging with stakeholders.



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Payment of the Directors' remuneration (excluding Directors' fees) will be made by the Company and its insurance subsidiaries on a monthly basis and/or as and when incurred if the proposed Ordinary Resolution 2 is passed at the 44th AGM. In determining the estimated total amount of remuneration (excluding Directors' fees) for the Directors including the Chairman of the Board for the period from 23 May 2018 to the next AGM of the Company, the Company took into consideration, amongst others, the number of scheduled meetings for the Board and Board Committees and the number of Non-Executive Directors involved in these meetings.

### 3. Re-election of Directors who retire in accordance with Articles 96 and 97 of the Company's Articles of Association (Constitution)

Article 96 of the Company's Articles of Association (Constitution) provides that one-third (1/3) of the Directors of the Company for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3), shall retire from office at the AGM of the Company. A retiring Director shall be eligible for re-election.

Article 97 of the Company's Articles of Association (Constitution) provides that the Directors to retire in every year shall be those who have been longest in office since their last election. All Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy will be retired at the 44th AGM pursuant to Article 96 of the Articles of Association (Constitution) of the Company.

Y. Bhg. Tan Sri Razali Bin Ismail has expressed his intention to retire at the conclusion of the 44th AGM and therefore he will not seek for re-election.

Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy has indicated his willingness to seek for re-election and abstained from the deliberation and voting of his re-election at the respective Nomination and Remuneration Committee Meeting and Board Meeting.

Y.A.M. Tunku Zain AL-'Abidin Ibni Tuanku Muhriz's last re-election was in 2015, accordingly, he is standing for re-election pursuant to Article 97 of the Company's Articles of Association (Constitution) at the 44th AGM. He has indicated his willingness to seek for re-election and abstained from the deliberation and voting of his re-election at the respective Nomination and Remuneration Committee Meeting and Board Meeting.

The Nomination and Remuneration Committee having assessed and satisfied with the performance of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy and Y.A.M. Tunku Zain AL-'Abidin Ibni Tuanku Muhriz, recommended their re-election for the Board's approval.

The Board having reviewed the performance evaluations of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy and Y.A.M. Tunku Zain AL-'Abidin Ibni Tuanku Muhriz and the recommendation of the Nomination and Remuneration Committee, recommended the re-election of the said two (2) retiring Directors for the shareholders' approval.

The profile of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy and Y.A.M. Tunku Zain AL-'Abidin Ibni Tuanku Muhriz are set out in the Board of Directors' Profile in this Annual Report.

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#### **4. Appointment of Auditors**

During the financial year 2017, the Company was notified by its holding company/major shareholder, Allianz SE, that there will be a change of the Auditors for the Allianz SE Group, in order to comply with the European Union Regulation's requirement on mandatory rotation of auditors in every 10 years. PricewaterhouseCoopers has been selected as the new Auditors for Allianz SE Group for the financial year 2018.

Allianz SE had issued to the Company, a Notice of Nomination of Messrs. PricewaterhouseCoopers PLT ("PwC PLT") as Auditors of the Company in place of Messrs. KPMG PLT who will be retiring at the 44th AGM. A copy of the Notice of Nomination is annexed and marked as "**Appendix A**" in this Annual Report.

In line with the global change in Auditors of Allianz SE Group, the Company and its insurance subsidiaries (collectively referred to as "Group") proposed to appoint PwC PLT as the Auditors of the Group for the financial year 2018.

The Audit Committee reviewed the proposed appointment of PwC PLT (including of engagement partners and concurring partner) as Auditors for the Group for the financial year 2018 and concluded that PwC PLT met all the evaluation criteria as prescribed by the relevant authorities. The Audit Committee recommended the proposed appointment of PwC PLT for the respective Boards of the Group for consideration.

The Board having satisfied that PwC PLT met the evaluation criteria as prescribed by the relevant authorities, recommended the proposed appointment of PwC PLT as Auditors of the Company for the financial year 2018 for the shareholders' approval.

PwC PLT had on 3 April 2018 given their consent to act as Auditors of the Company.

#### **C. EXPLANATORY NOTE ON SPECIAL BUSINESS**

##### **Proposed Shareholders' Mandate for Recurrent Related Party Transactions**

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are underwriting of all classes of general insurance business and underwriting of life insurance and investment-linked business.

It is anticipated that the Group will, in the ordinary course of business, enter into recurrent related party transactions with classes of related parties as set out in Section 2.2 of the Circular to Shareholders dated 23 April 2018 ("Shareholders' Mandate Circular").

In view of time sensitivity and the frequent nature of such related party transactions, the Directors of the Company are seeking shareholders' approval for the proposed Ordinary Resolutions 6, 7 and 8, to allow the Group in its ordinary course of business, to enter into recurrent related party transactions with the respective related parties as detailed in the Shareholders' Mandate Circular, provided that such transactions are made on arm's length basis and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

## Notice of Annual General Meeting

Detailed information in relation to the proposed shareholders' mandate for recurrent related party transactions are set out in the Shareholders' Mandate Circular, despatched together with this Annual Report.

### D. ABSTENTION FROM VOTING

Directors who are the shareholders of the Company will abstain from voting in respect of their direct and/or indirect shareholdings on the resolutions involving their interests and/or interests of persons connected to them.

The following Directors are interested or deemed to be interested in the below mentioned Ordinary Resolutions to be tabled at the 44th AGM:-

Interested Directors	Ordinary Resolution No.	Direct Shareholding
Y. Bhg. Tan Sri Razali Bin Ismail	1 and 8	Nil
Mr. Foo San Kan	1 and 2	Nil
Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy	1, 2, 3 and 7	Nil
Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim	1 and 2	Nil
Y.A.M. Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	1, 2 and 4	Nil

The Directors will abstain from voting on the respective resolutions stated above and they have also undertaken that they will ensure the persons connected to them will abstain from voting on the relevant resolutions that involve their interests and/or interest of persons connected to them at the 44th AGM.

### E. NOTE TO HOLDERS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

The holders of the ICPS shall be entitled to attend the 44th AGM but have no right to vote at the 44th AGM. The voting rights of the ICPS holders are detailed in the Articles of Association (Constitution) published in the Company's website at [allianz.com.my](http://allianz.com.my).

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Allianz SE



www.allianz.com

Allianz, 80790 Munich, Germany

The Board of Directors  
Allianz Malaysia Berhad  
Level 29, Menara Allianz Sentral  
203, Jalan Tun Sambanthan  
Kuala Lumpur Sentral  
50470 Kuala Lumpur

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80802 Munich, Germany  
Phone +49 89.38 00-0

Commerzbank AG  
Bank code 700 800 00  
Account No. 310 922 700  
IBAN DE48 7008 0000 0310 9227 00  
SWIFT-BIC DRESDEFF700

Your ref.:

Our ref., Date

bt  
14.02.2018

Dear Sirs

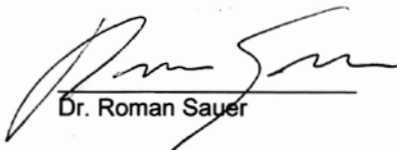
Re : Notice of Nomination of Messrs PricewaterhouseCoopers PLT as Auditors

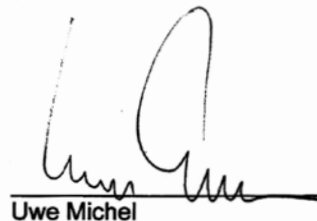
We, being a major shareholder of Allianz Malaysia Berhad ("AMB"), do hereby give notice of our nomination of Messrs PricewaterhouseCoopers PLT as Auditors of AMB in place of Messrs KPMG PLT, who will be retiring at the forthcoming Annual General Meeting of AMB in 2018 ("AMB 2018 AGM") and our intention to propose the following resolution as an ordinary resolution at the AMB 2018 AGM:

"That Messrs PricewaterhouseCoopers PLT be and are hereby appointed as Auditors of the Company in place of the retiring Auditors, Messrs KPMG PLT and to hold office until the conclusion of the next Annual General Meeting at a remuneration to be fixed by the Directors."

Yours faithfully

**ALLIANZ SE**

  
Dr. Roman Sauer

  
Uwe Michel

Chairman of the Supervisory Board: Michael Diekmann.  
Board of Management: Oliver Bäte, Chairman;  
Sergio Balbinot, Jacqueline Hunt, Dr. Helga Jung, Dr. Christof Mascher, Niran Peiris, Giulio Terzariol,  
Dr. Günther Thallinger, Dr. Axel Theis.  
For VAT Purposes: VAT ID Number: DE129274114. Financial and insurance services acc. to USIG / EU VAT Directive are exempt.

Allianz SE  
Registered Office: Munich  
Registration Court: Munich HRB 164232

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# Form of Proxy

ALLIANZ MALAYSIA BERHAD (12428-W)  
(Incorporated in Malaysia)

Pursuant to the Allianz Standard for Data Protection and Privacy, please be informed that the personal data that you provide in this Form of Proxy shall be used for the purpose of enabling your proxy/proxies to attend the 44th Annual General Meeting of the Company ("Purpose"). We shall retain the personal data for record keeping purposes in accordance with the Company's retention policy. By submitting this Form of Proxy, you and your proxy/proxies have been notified of the Purpose and it is deemed that you have consented and that you have obtained the consent of such proxy/proxies to enable us to process and retain the personal data provided in this form.

Number of Shares Held

CDS Account No.

Contact No.

I/We (name of shareholder) \_\_\_\_\_

NRIC No./Passport No./Company No. \_\_\_\_\_ (new) of (full address) \_\_\_\_\_

being a member of ALLIANZ MALAYSIA BERHAD, hereby appoint:-

Name of Proxy/Proxies	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%

Address \_\_\_\_\_

\*and

--	--	--	--

Address \_\_\_\_\_

\*or failing him/her

--	--	--	--

Address \_\_\_\_\_

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the 44th Annual General Meeting ("AGM") of the Company to be held at Grand Ballroom, Level 2, Aloft Kuala Lumpur Sentral, 5, Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 22 May 2018 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	Approval for payment of Directors' fees		
2	Approval for payment of Directors' remuneration		
3	Re-election of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy as Director		
4	Re-election of Y.A.M. Tunku Zain Al-'Abidin Ibni Tuanku Muhriz as Director		
5	Appointment of Messrs. PricewaterhouseCoopers PLT as Auditors in place of retiring Auditors, Messrs. KPMG PLT and authority to the Directors to fix the Auditors' remuneration		
6	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Allianz SE Group		
7	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Shook Lin & Bok		
8	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Rapidpro Consulting Sdn Bhd		

As witness my/our hand this \_\_\_\_\_ day of \_\_\_\_\_ 2018.

\_\_\_\_\_  
Signature of shareholder/common seal



**Notes:**

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming 44th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 14 May 2018. Only a depositor whose name appears in the Record of Depositors as at 14 May 2018 shall be entitled to attend and vote at the 44th AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the 44th AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his/her shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary

shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the EAN specifies the proportion of its shareholding to be represented by each proxy.

6. The instrument of proxy must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
7. The instrument of proxy shall be deposited at the Registered Office of the Company at Level 29, Menara Allianz Sentral, 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than twenty-four (24) hours before the appointed time for holding the 44th AGM.

**Note to Holders of Irredeemable Convertible Preference Share ("ICPS")**

The holders of the ICPS shall be entitled to attend the 44th AGM but have no right to vote at the said AGM. The voting rights of the ICPS holders are detailed in the Articles of Association (Constitution) published in the Company's website at [allianz.com.my](http://allianz.com.my).

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AFFIX STAMP

**Allianz Malaysia Berhad** (12428-W)

Level 29, Menara Allianz Sentral  
203, Jalan Tun Sambanthan  
Kuala Lumpur Sentral, 50470 Kuala Lumpur

**Attention : The Company Secretary**

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**Allianz Malaysia Berhad**

(12428-W)

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