

Your life
Companion

ANNUAL REPORT
2018





>
**INSIDE THIS
ANNUAL
REPORT 2018**

OVERVIEW

- 02 Vision and Mission
- 02 Our Five Core Values
- 03 2018 Key Financial Figures
- 04 Allianz at A Glance

CORPORATE PROFILE

- 06 Group Structure and Corporate Information
- 07 Renewal Agenda
- 08 Allianz Group at A Glance
- 09 Nationwide Presence
- 15 Board of Directors' Profile
- 22 Board of Directors of Insurance Subsidiaries
- 24 Senior Management Team Profile

TO OUR STAKEHOLDERS

- 36 Chairman's Statement
- 40 CEO's Message and Management Discussion & Analysis

SUSTAINABILITY REPORT 2018

- 48 CEO's Statement
- 50 Sustainability Statement
- 60 Responsible Business
- 78 Employer of Choice
- 86 Responsible Corporate Citizen

**CORPORATE GOVERNANCE
AND ACCOUNTABILITY**

- 106 Corporate Governance Overview Statement
- 112 Statement on Risk Management and Internal Control
- 121 Audit Committee Report
- 130 Nomination and Remuneration Committee Report
- 138 Additional Compliance Information

2018 HIGHLIGHTS

- 152 Media Highlights

FINANCIAL STATEMENTS

- 158 Financial Statements
- 299 Statement by Directors
- 300 Statutory Declaration
- 301 Independent Auditors' Report

AGM INFORMATION

- 307 Notice of Annual General Meeting
 - Form of Proxy





Cover
Rationale
>>>

SIMPLICITY WINS CUSTOMERS

There is no better accolade for a company than that of its customers. At Allianz, we strive for simplicity in our processes and continuously find ways to make things seamless and easy for customer satisfaction. Integrity, Competency, Courage and Resilience is part of our business culture, from our leadership to our employees and in developing the very products and services we offer. The success of our Renewal Agenda 1.0 is testimony to this. Allianz protects you from A–Z.

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.

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**

2018 Key Financial Figures



RM5,181.93
MILLION

+2.6%
2017



RM4,504.85
MILLION

+2.5%
2017



RM518.98
MILLION

-3.8%
2017



RM17,404.59
MILLION

+11.3%
2017



RM3,361.70
MILLION

+8.9%
2017



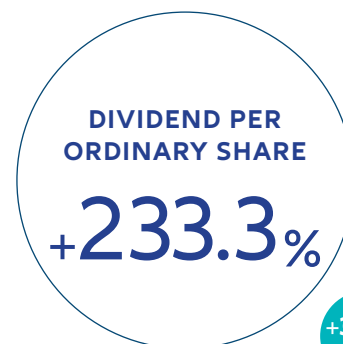
RM4,480.33
MILLION

+32.5%
2017



167.90
SEN

-11.8%
2017



40.00
SEN

+33.3%
2017

Allianz at A Glance

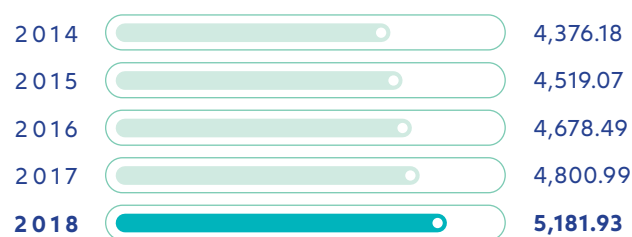
	2018	2017	2016	2015	2014
Operating Revenue (RM million)	5,181.93	4,800.99	4,678.49	4,519.07	4,376.18
Gross Written Premium (RM million)	4,504.85	4,285.40	4,182.60	4,132.65	3,968.06
Profit Before Tax (RM million)	518.98	437.28	454.59	438.22	423.53
Total Assets (RM million)	17,404.59	16,596.68	14,912.38	13,617.42	12,176.05
Shareholders' Fund (RM million)	3,361.70	3,135.51	2,879.52	2,621.32	2,289.78
Market Capitalisation (RM million) [#]	4,480.33	4,639.45	3,500.25	3,635.16	4,057.33
Interim/Final Dividend per Share					
- Ordinary Share (sen)	40.00	12.00	9.00	6.50	5.00
- Preference Share (sen)	48.00	14.40	10.80	7.80	6.00
Total Amount of Dividend to the Shareholders					
- Ordinary Share (RM'000)	70,675.38	21,021.95	15,633.66	11,006.00	8,374.41
- Preference Share (RM'000)	81,368.33	24,627.29	18,629.83	13,796.85	10,723.05
Return on Equity [^]	11.6%	9.6%	11.3%	12.6%	13.7%
Operating Revenue Growth	7.9%	2.6%	3.5%	3.3%	19.9%
Gross Written Premium Growth	5.1%	2.5%	1.2%	4.1%	10.9%
Basic Earnings per Ordinary Share (sen) [*]	167.90	151.19	171.39	174.90	172.02
Diluted Earnings per Ordinary Share (sen)	109.09	83.28	90.80	89.37	85.89
Net Asset Value per Ordinary Share (RM)	19.03	17.96	16.58	15.48	13.67
Diluted Net Asset Value per Ordinary Share (RM)	9.71	9.06	8.32	7.57	6.61

[#] 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 on Equity

^{*} The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders adjusted for preference dividends

Operating Revenue +7.9%



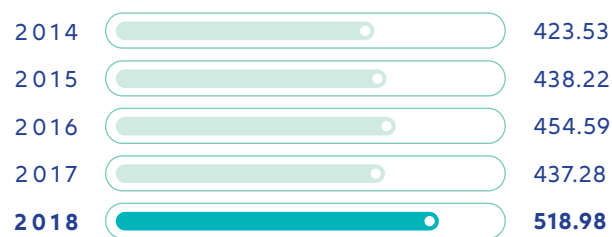
RM 5,181.93 Million

Gross Written Premium +5.1%



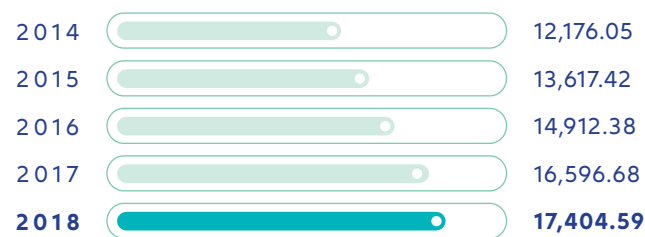
RM 4,504.85 Million

Profit Before Tax +18.7%



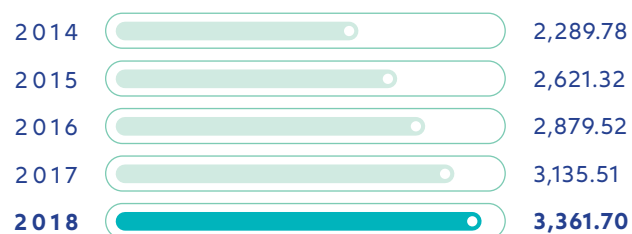
RM 518.98 Million

Total Assets +4.9%



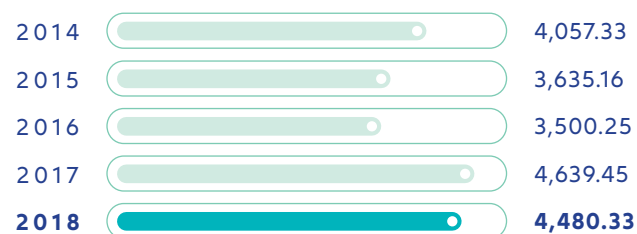
RM 17,404.59 Million

Shareholders' Fund +7.2%



RM 3,361.70 Million

Market Capitalisation -3.4%



RM 4,480.33 Million

Basic Earnings Per Ordinary Share +11.1%



167.90 Sen

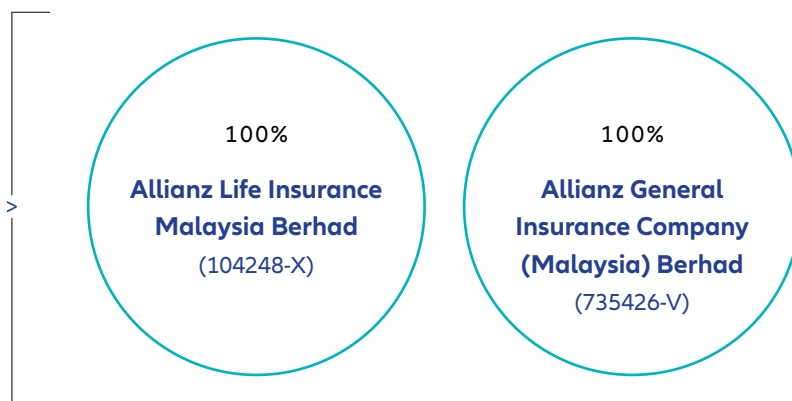
Dividend Per Ordinary Share +233.3%



40.00 Sen

Group Structure

Allianz 
Allianz Malaysia Berhad
 (12428-W)



Corporate Information

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Classes of Share	Stock Code
Ordinary Share	1163
Irredeemable Convertible Preference Share	1163PA

COMPANY SECRETARY

Ng Siew Gek
 Email : ng.siewgek@allianz.com.my

REGISTERED OFFICE

Level 29, Menara Allianz Sentral
 203, Jalan Tun Sambanthan
 Kuala Lumpur Sentral
 50470 Kuala Lumpur
 Tel : 03-2264 1188/ 2264 0688
 Fax : 03-2264 1186

HEAD OFFICE

Level 29, Menara Allianz Sentral
 203, Jalan Tun Sambanthan
 Kuala Lumpur Sentral
 50470 Kuala Lumpur
 Tel : 03-2264 1188/ 2264 0688
 Fax : 03-2264 1199
 Website : 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 : 03-2783 9299
 Fax : 03-2783 9222
 Email : is.enquiry@my.tricorglobal.com

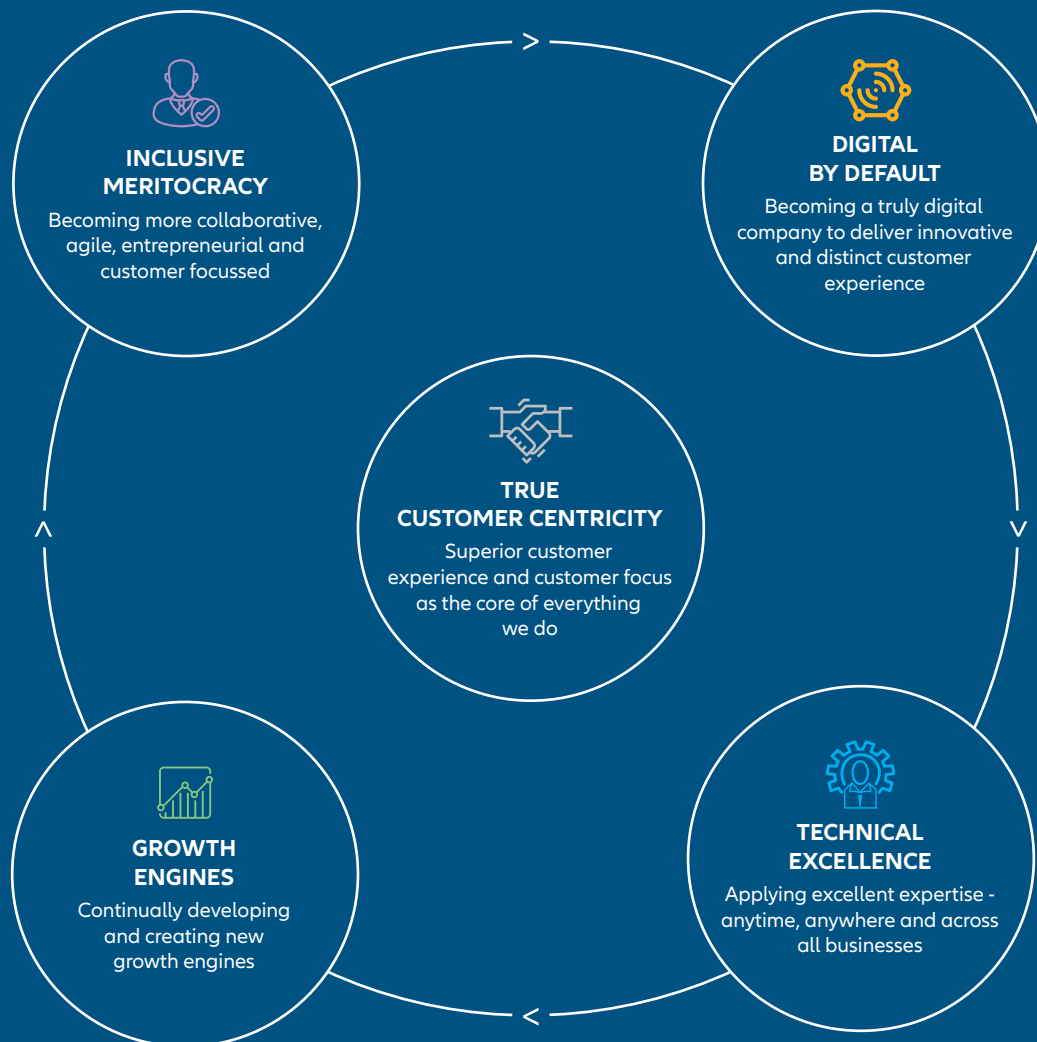
AUDITORS

PricewaterhouseCoopers PLT
 Level 10, 1 Sentral
 Jalan Rakyat, Kuala Lumpur Sentral
 P.O. Box 10192
 50706 Kuala Lumpur
 Tel : 03-2173 1188
 Fax : 03-2173 1288

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 **142,000** Employees Worldwide, The Allianz Group Serves **92 Million** Customers In More Than **70** Countries



On The Insurance Side, Allianz Is **The Market Leader** In The German Market And Has A Strong International Presence



In Fiscal Year 2018 The Allianz Group **Achieved** Total Revenues of Approximately **130.6 Billion** Euros



Allianz Is One Of The **World's Largest** Asset Managers, With Third-Party Assets of **1,436 Billion** Euros Under Management At Year End 2018

Nationwide Presence

ALLIANZ GENERAL INSURANCE COMPANY (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 : 03-2264 0700
Fax : 03-2264 8499
Toll Free : 1-300-22-5542
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
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2264 1188
Fax : 03-2264 7710

1. SENTRAL BRANCH

Level 13, Block 3A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2263 3888
Fax : 03-2263 3838

2. KUALA LUMPUR

Wisma Allianz, No. 33, Jalan Gereja
50100 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2050 1188
Fax : 03-2078 9918

3. PETALING JAYA

No. 15, Jalan 8/1D, Section 8
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7956 4629/ 7956 4621
Fax : 03-7954 8210/ 7955 6727

4. KLANG

No. 11, Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan
Tel : 03-3342 9008/ 3342 0639
Fax : 03-3342 1901

5. KAJANG

No. 17 & 17A, Jalan M/J1
Taman Majlis Jaya, Sungai Chua
43000 Kajang
Selangor Darul Ehsan
Tel : 03-8733 9078/ 8733 7395
Fax : 03-8733 6985

6. SEREMBAN

No. 44, Jalan S2 B18
Biz Avenue Seremban 2
70300 Seremban
Negeri Sembilan Darul Khusus
Tel : 06-601 3636
Fax : 06-601 3344

Nationwide Presence

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

● Perak State



7. IPOH

Unit No. A-G-1 & A-1-1
Ground & 1st Floor, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan
Tel : 05-254 9150/ 255 5103
Fax : 05-254 2988

8. TELUK INTAN

No. 77-G, Ground Floor, Jalan Intan 4
Bandar Baru Teluk Intan
36000 Teluk Intan
Perak Darul Ridzuan
Tel : 05-621 5882/ 621 7731
: 05-621 7732
Fax : 05-622 5229

9. TAIPING

No. 62, Ground Floor, Jalan Barrack
34000 Taiping
Perak Darul Ridzuan
Tel : 05-806 8688/ 806 8976
Fax : 05-808 8975

● Northern Region



NORTHERN REGION PROCESSING HUB

No. 6770, Ground & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Penang
Tel : 04-324 5175/ 324 6778
Fax : 04-331 0572

NORTHERN REGION CLAIM HUB

No. 6770, Ground & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Penang
Tel : 04-331 1488
Fax : 04-331 9788

10. PENANG

Ground, Mezzanine and 1st Floor
No. 1 China Street
10200 Georgetown
Penang
Tel : 04-251 9188
Fax : 04-251 9288

11. BUKIT MERTAJAM

No. 486, Ground, 1st & 3rd Floor
No. 487, Ground Floor
Jalan Permatang Rawa, Bandar Perda
14000 Bukit Mertajam
Penang
Tel : 04-537 8328/ 537 1628
Fax : 04-537 4398/ 537 1108

12. ALOR SETAR

No. 300 & 301, Jalan Lumpur
05100 Alor Setar
Kedah Darul Aman
Tel : 04-732 8575/ 733 4655
Fax : 04-733 7868

13. SUNGAI PETANI

No. 62B, 1st, 2nd & 3rd Floor
Jalan Pengkalan, Pekan Baru
08000 Sungai Petani
Kedah Darul Aman
Tel : 04-425 8282/ 425 2895
Fax : 04-425 2893

● Southern Region



SOUTHERN REGION CLAIM HUB

#04-05, Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim
Tel : 07-338 3952
Fax : 07-338 3953

14. MELAKA

No. 374, Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka
Tel : 06-283 3821
Fax : 06-284 4198

15. JOHOR BAHRU

#03-01, #03-03 & #03-05 Block C
#04-01 & #04-02, Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim
Tel : 07-338 3790
Fax : 07-338 3791

16. KLUANG

No. 5, Jalan Persiaran Yayasan
86000 Kluang
Johor Darul Takzim
Tel : 07-772 3255/ 773 2530
Fax : 07-773 8097

17. SEGAMAT

Lot No. 27, Ground Floor
Jalan Genuang Perdana
Taman Genuang Perdana
85000 Segamat
Johor Darul Takzim
Tel : 07-943 4117/ 943 4317
Fax : 07-943 4517

18. BATU PAHAT

No. 1-2, 1-2A, Ground & 1st Floor
Jalan Maju 1, Taman Maju
83000 Batu Pahat
Johor Darul Takzim
Tel : 07-433 8166
Fax : 07-433 2166

19. MUAR

No. 1, Ground Floor
Pusat Dagangan Bakri
Jalan Bakri
84000 Muar
Johor Darul Takzim
Tel : 06-954 4536
Fax : 06-954 5684

Nationwide Presence

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

● East Coast Region



20. TEMERLOH

No. 6, Pusat Komersil Temerloh
Jalan Dato' Bahaman 3
28000 Temerloh
Pahang Darul Makmur
Tel : 09-296 9292
Fax : 09-296 0254

21. KUANTAN

No. 4 & 4a, 6 & 6a (Construction Town)
Jalan Putra Square 6, Putra Square
25200 Kuantan
Pahang Darul Makmur
Tel : 09-516 2992/ 516 2552
Fax : 09-515 9442

22. KUALA TERENGGANU

PT 3357 P, Jalan Sultan Zainal Abidin
20000 Kuala Terengganu
Terengganu Darul Iman
Tel : 09-622 3678/ 622 3233
Fax : 09-630 1233/ 631 8516

23. KOTA BHARU

Lot 1184, Jalan Kebun Sultan
15350 Kota Bharu
Kelantan Darul Naim
Tel : 09-748 1196/ 744 4566
Fax : 09-744 6766

● Sabah Region



24. KOTA KINABALU

B-1-73, B-1-73a, B-1-75 & B-1-76
Riverson@Sembulan, Block B
First Level, Riverson Walk
Unit No. R-6-01, R-06-02 & Part of Unit
No. R-6-05, Level 6, Riverson Suites
Lorong Riverson@Sembulan
Off Coastal Highway
88100 Kota Kinabalu
Sabah
Tel : 088-221 397/ 221 606
Fax : 088-224 870

25. LAHAD DATU

Level 1 & Level 2, MDLD 7951
Lot 7 Linear Block B, Harbour Town
91100 Lahad Datu
Sabah
Tel : 089-863 878
Fax : 089-862 848

26. SANDAKAN

Lot 8, Ground & 1st Floor
Lot 7, 1st & 2nd Floor, Block 2
Bandar Indah
Mile 4 North Road, W.D.T. No. 291
90000 Sandakan
Sabah
Tel : 089-211 054/ 217 197
Fax : 089-211 052

27. TAWAU

TB320, Ground, 1st & 2nd Floor
Block 38, Fajar Complex
Jalan St. Patrick, W.D.T. No. 33
91009 Tawau
Sabah
Tel : 089-779 055/ 772 976
Fax : 089-763 015

29. SIBU

Lot 1725, No. 12-I
Jalan Kampung Datu
96000 Sibu
Sarawak
Tel : 084-332 469/ 343 205
Fax : 084-332 470

30. KUCHING

Sublot 3, 1st, 2nd & 3rd Floor, Block 10
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sarawak
Tel : 082-417 842/ 413 849
Fax : 082-424 624

31. SARIKEI

No. 11, Ground and 1st Floor
Jalan Nenas
96100 Sarikei
Sarawak
Tel : 084-652 577/ 651 877
Fax : 084-653 908

● Sarawak Region



SARAWAK REGION OFFICE

Lot 3544, 2nd Floor
Lot 3545, Ground, 1st & 2nd Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri
Sarawak
Tel : 085-324 921
Fax : 085-324 754

28. MIRI

Lot 3544, 2nd Floor
Lot 3545, Ground, 1st & 2nd Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri
Sarawak
Tel : 085-324 901
Fax : 085-324 752/ 324 753

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 : 03-2264 0700
Fax : 03-2264 8499
Toll Free : 1-300-22-5542
Website : allianz.com.my

Central Region

1. **PETALING JAYA**
No. 15, Ground Floor
Jalan 8/1D, Section 8
46050 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7955 1605
Fax : 03-7955 1607
2. **DESA JAYA**
Wisma Allianz Life
No. 11-14, Jalan 53
Desa Jaya Commercial Centre
Taman Desa
52100 Kepong
Selangor Darul Ehsan
Tel : 03-6275 8000
Fax : 03-6275 7100
3. **KLANG**
No. 46, Jalan Tiara 2C
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan
Tel : 03-3346 6033
Fax : 03-3345 3288
4. **SEREMBAN**
No. 44, Ground Floor
Jalan S2 B18, Biz Avenue, Seremban 2
70300 Seremban
Negeri Sembilan Darul Khusus
Tel : 06-601 1007
Fax : 06-601 1099

Northern Region

5. **PENANG**
Ground & 1st Floor
No.1 China Street
10200 Georgetown
Penang
Tel : 04-251 9899
Fax : 04-251 9699
6. **BUKIT MERTAJAM**
No. 487, Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Penang
Tel : 04-537 7231
Fax : 04-537 8231
7. **ALOR SETAR**
No. 301, Ground & 2nd Floor
Jalan Lumpur
05100 Alor Setar
Kedah Darul Aman
Tel : 04-734 5091
Fax : 04-731 7271
8. **SUNGAI PETANI**
No. 62B, 1st Floor
Jalan Pengkalan, Pekan Baru
08000 Sungai Petani
Kedah Darul Aman
Tel : 04-425 6863
Fax : 04-425 6861
9. **IPOH**
Unit No. A-G-1 & A-2-1
Ground & 2nd Floor, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan
Tel : 05-241 9752
Fax : 05-241 6898

Southern Region

10. **JOHOR BAHRU**
#03-01 & #03-02, Block C
#04-01, #04-02 & #04-03 Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim
Tel : 07-338 3285
Fax : 07-336 3473
11. **KLUANG**
No. 5, Ground Floor
Jalan Persiaran Yayasan
86000 Kluang
Johor Darul Takzim
Tel : 07-771 5588
Fax : 07-773 8097
12. **BATU PAHAT**
No. 1-2 & 1-2B, Ground & 2nd Floor
Jalan Maju 1, Taman Maju
83000 Batu Pahat
Johor Darul Takzim
Tel : 07-434 3313
Fax : 07-433 2166
13. **MUAR**
No. 1, Ground, 1st & 2nd Floor
Pusat Dagangan Bakri
Jalan Bakri
84000 Muar
Johor Darul Takzim
Tel : 06-954 5689
Fax : 06-954 5684
14. **MELAKA**
No. 374, Ground & 2nd Floor
Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka
Tel : 06-282 3377
Fax : 06-282 0793

Nationwide Presence

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

● East Coast Region



15. **TEMERLOH**
 No. 6, Pusat Komersil Temerloh
 Jalan Dato' Bahaman 3
 28000 Temerloh
 Pahang Darul Makmur
 Tel : 09-296 9292
 Fax : 09-296 0254
16. **KUANTAN**
 No. 4 & 4a, 6 & 6a (Construction Town)
 Jalan Putra Square 6, Putra Square
 25200 Kuantan
 Pahang Darul Makmur
 Tel : 09-515 9098
 Fax : 09-515 9096
17. **KOTA BHARU**
 Lot 1184, 1st Floor Jalan Kebun Sultan
 15350 Kota Bharu
 Kelantan Darul Naim
 Tel : 09-748 4496
 Fax : 09-748 5596

● Sabah Region



18. **KOTA KINABALU**
 B-1-73, B-1-73a, B-1-75 & B-1-76
 Riverson@Sembulan, Block B
 First Level, Riverson Walk
 Unit No. R-6-01, R-06-02 & Part of Unit
 No. R-6-05, Level 6, Riverson Suites
 Lorong Riverson@Sembulan
 Off Coastal Highway
 88100 Kota Kinabalu
 Sabah
 Tel : 088-224 551
 Fax : 088-224 506
19. **SANDAKAN**
 Lot 8, Ground Floor, Block 2
 Bandar Indah
 Mile 4 North Road, W.D.T. No. 291
 90000 Sandakan
 Sabah
 Tel : 089-274 842
20. **TAWAU**
 TB320, Ground Floor
 Block 38, Fajar Complex
 Jalan St. Patrick, W.D.T. No. 33
 91009 Tawau
 Sabah
 Tel : 089-765 054
 Fax : 089-764 554

● Sarawak Region



21. **KUCHING**
 Sublot 3, Ground Floor, Block 10
 Jalan Laksamana Cheng Ho
 Kuching Central Land District
 93350 Kuching
 Sarawak
 Tel : 082-246 515
 Fax : 082-246 713
22. **MIRI**
 Lot 3544, 1st Floor
 Lot 3545, Ground Floor
 Section 5, M.C.L.D Jalan Miri-Pujut
 98000 Miri
 Sarawak
 Tel : 085-320 470
 Fax : 085-324 920
23. **SIBU**
 Lot 1726, No. 12-H
 1st & 2nd Floor
 Jalan Kampung Datu
 96000 Sibu
 Sarawak
 Tel : 084-346 515
 Fax : 084-326 448



Integrity



For years, thousands of customers entrust us with the assurance for their future. Our promise is to always conduct our business with professionalism and strong code of ethics as the very foundation of our day-to-day operations. It is our way to honour the trust given by our customers.

Board of Directors' Profile As at 20 March 2019

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Chairman – Independent
Non-Executive Director



Nationality •

Malaysian

Age •

71

Gender •

Female

Date of Appointment •

23 November 2012

Length of Service •

6 years 4 months

Date of Last Re-election •

25 May 2016

MEMBERSHIP OF BOARD COMMITTEE:

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

QUALIFICATIONS:

- 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

PRESENT DIRECTORSHIPS:

Listed entities:

- Chairman of Allianz Malaysia Berhad
- Chairman of Malaysian Genomics Resource Centre Berhad
- Nestle (Malaysia) Berhad
- Lotte Chemical Titan Holding Berhad
- Minda Global Berhad

Other public company:

- Chairman of Allianz General Insurance Company (Malaysia) Berhad

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" and the "Panglima Setia Mahkota" from His Majesty The Yang di-Pertuan Agong.

OTHER INFORMATION:

Tan Sri Datuk (Dr.) Rafiah 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Board of Directors' Profile

As at 20 March 2019

Nationality •

Malaysian

Age •

70

Gender •

Male

Date of Appointment •

25 November 2005

Length of Service •

13 years 4 months

Date of Last Re-election •

24 May 2017

FOO SAN KAN

Non-Independent
Non-Executive Director**MEMBERSHIP OF BOARD COMMITTEE:**

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

QUALIFICATIONS:

- 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

PRESENT DIRECTORSHIPS:

Listed entity:

- Allianz Malaysia Berhad

Other public companies:

- Chairman of Allianz Life Insurance Malaysia Berhad
- Chairman of Malaysian Trustees Berhad
- Chairman of RHB Trustees Berhad
- PJ Development Holdings Berhad

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.

OTHER INFORMATION:

Foo San Kan 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Board of Directors' Profile

As at 20 March 2019

DATO' DR. THILLAINATHAN A/L RAMASAMY

Independent
Non-Executive Director



Nationality •

Malaysian

Age •

74

Gender •

Male

Date of Appointment •

24 June 2011

Length of Service •

7 years 9 months

Date of Last Re-election •

22 May 2018

MEMBERSHIP OF BOARD COMMITTEE:

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

QUALIFICATIONS:

- 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

PRESENT DIRECTORSHIPS:

Listed entities:

- Allianz Malaysia Berhad
- Genting Berhad

Other public companies:

- Allianz Life Insurance Malaysia Berhad
- Public Investment Bank Berhad
- 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.

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 Board 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.

OTHER INFORMATION:

Dato' Dr. Thillainathan 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Board of Directors' Profile As at 20 March 2019

Nationality •

Malaysian

Age •

36

Gender •

Male

Date of Appointment •

28 November 2014

Length of Service •

4 years 4 months

Date of Last Re-election •

22 May 2018

TUNKU ZAIN AL-'ABIDIN IBNI TUANKU MUHRIZ

Independent
Non-Executive Director

MEMBERSHIP OF BOARD COMMITTEE:

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

QUALIFICATIONS:

- 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

PRESENT DIRECTORSHIPS:

Listed entities:

- Allianz Malaysia Berhad
- Kian Joo Can Factory Berhad

Other public companies:

- Allianz General Insurance Company (Malaysia) Berhad
- IDEAS Policy Research Berhad

WORKING EXPERIENCE:

Tunku Zain is Founding President of the Institute for Democracy and Economic Affairs ("IDEAS"); a Trustee of Yayasan Chow Kit, Yayasan Munaarah, Jeffrey Cheah Foundation and Genovasi Foundation; an Independent Non-Executive Director of Allianz Malaysia Berhad, Allianz General Insurance Company (Malaysia) Berhad and Kian Joo Can Factory Berhad; an advisor or patron to numerous educational and cultural organisations; a committee member of several societies and associations, including the Squash Racquets Association of Malaysia; 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 The Sun, 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 is often invited to speak on subjects ranging from nation building, public policy, history, culture, law, business ethics and youth development.

OTHER INFORMATION:

Tunku Zain 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Board of Directors' Profile As at 20 March 2019

MARZIDA BINTI MOHD NOOR

Independent
Non-Executive Director

Nationality •

Malaysian

Age •

55

Gender •

Female

Date of Appointment •

30 May 2018

Length of Service •

10 months

Date of Last Re-election •

Nil

MEMBERSHIP OF BOARD COMMITTEE:

Nil

QUALIFICATIONS:

- Masters of Science in Management Information System, United States International University, San Diego, California, USA in 1987
- Bachelor of Science in Business, Indiana University, Bloomington, Indiana, USA in 1985

PRESENT DIRECTORSHIP:

Listed entity:

- Allianz Malaysia Berhad

Other public company:

Nil

WORKING EXPERIENCE:

Marzida has an extensive experience in leading information technology ("IT") business change and transformation, IT management and operations, programme management, outsourcing and management consulting. She started her professional career with a merchant bank and subsequently as an IT Management Consultant with KPMG Peat Marwick. She then joined Malaysia Airlines in 1992 and held various leadership and management positions including in the Corporate Planning Division, the Chairman's Office and subsequently as the Chief Information Officer ("CIO") in 2001.

While in Malaysia Airlines, she implemented a change programme to stabilise, rationalise and transform the Airline's IT landscape. Key achievements included improvement of the IT operations services, an annual savings of 24% on key IT spend areas, set up of a global IT helpdesk, a successful upgrade of hardware and network infrastructure across more than 190 destinations worldwide. Marzida also negotiated and successfully implemented a multi-year IT operations outsourcing agreement as part of the Airline's IT transformation agenda.

During her tenure as the CIO, Marzida served as a Board member of the Societe Internationale de Telecommunications Aeronautiques (SITA), an air transportation member-based organisation which offer advanced technology solutions to airlines and airports worldwide, representing Malaysia Airlines. She was also a member of the Gartner CIO Roundtable.

In 2007, Marzida joined Shell Malaysia as the Head of IT Strategy and Planning and subsequently as the Head of Programme Delivery for SAP Human Resources System globally. In the latter role, she set up and transitioned the IT delivery centre from Europe to Malaysia achieving a total cost reduction of more than 50% and an increase in the number of projects delivered from Malaysia (from 10% to 70%).

Upon leaving Shell, Marzida became an entrepreneur as a licensed Financial Consultant in the financial services industry.

OTHER INFORMATION:

Marzida 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Board of Directors' Profile

As at 20 March 2019



SOLMAZ ALTIN

Non-Independent
Non-Executive Director

Nationality •

German

Age •

45

Gender •

Male

Date of Appointment •

30 May 2018

Length of Service •

10 months

Date of Last Re-election •

Nil

MEMBERSHIP OF BOARD COMMITTEE:

Nil

QUALIFICATION:

- Degree in Business Administration and Economics from Gerhard-Mercator-University in Duisburg, Germany in 2001

PRESENT DIRECTORSHIP:

Listed entity:

- Allianz Malaysia Berhad

Other public company:

Nil

WORKING EXPERIENCE:

Solmaz is the Deputy Regional Chief Executive Officer ("CEO") Asia Pacific and Board Member of Allianz Asia since June 2018.

Solmaz was the Chief Digital Officer of Allianz SE from January 2016 until May 2018. He managed Group Digital Transformation, which includes the Global Direct business, the Global Big Data/Machine-Learning activities, all Venture Capital investments of Allianz SE Group as well as the establishment of Global Partnerships with major tech companies. Furthermore, he founded the Global Digital Factory with the target to transform customer experience journeys across major digital touchpoints in the retail businesses.

Before the Chief Digital Officer role, Solmaz spent nearly three years, between 2013 and 2015, as the CEO of Allianz Turkey, where he oversaw the acquisition and integration of Yapi Kredi Insurance entities. He also held the position of Allianz Turkey's Chief Financial Officer for three years since first joining the Allianz SE Group as Allianz Turkey's Chief Risk Officer in 2009.

Solmaz first began his career as a team leader within Dresdner Bank's Retail Customer Care Center and then spent eight years in financial institutions advisory with PricewaterhouseCoopers and KPMG, rising to the level of Director.

OTHER INFORMATION:

Solmaz does not have any family relationship with any other Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Board of the Company. He also does not have any conflict of interest with the Company and 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Board of Directors' Profile

As at 20 March 2019

RENATE WAGNER

Non-Independent
Non-Executive Director



Nationality •
German

Age •
44

Gender •
Female

Date of Appointment •
30 May 2018

Length of Service •
10 months

Date of Last Re-election •
Nil

MEMBERSHIP OF BOARD COMMITTEE:

Nil

QUALIFICATIONS:

- Master in Mathematics, University of Paderborn, Germany in 1998
- Master of Business Administration, Heriot-Watt University, Edinburgh, United Kingdom in 2003

PRESENT DIRECTORSHIP:

Listed entity:

- Allianz Malaysia Berhad

Other public company:

Nil

WORKING EXPERIENCE:

Renate is the Chief Executive Officer, Life & Health, Asia Pacific. She heads up the regions life & health insurance unit, where she manages the growth and profitability of Allianz's consumer portfolio. She is a member of the Allianz Regional Executive Board, which is responsible for setting and executing Allianz's growth strategy in Asia.

Renate joined Allianz SE in 2013, and has held various strategic, finance and operations roles. Prior to that, she served at KPMG and Zurich Insurance, with experience across treasury, risk control, strategic finance and change management.

OTHER INFORMATION:

Renate does not have any family relationship with any other Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Board of the Company. She also does not have any conflict of interest with the Company and 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 2018.

The Director's meeting attendance record for 2018 is provided in the Additional Compliance Information section in this Annual Report.

Allianz Life Insurance Malaysia Berhad Board Members

As at 20 March 2019



Notes:

1. Foo San Kan (Chairman - Non-Independent Non-Executive Director) **2.** Dato' Dr. Thillainathan A/L Ramasamy (Independent Non-Executive Director ("INED")) **3.** Goh Ching Yin (INED) **4.** Peter Ho Kok Wai (INED) **5.** Joseph Kumar Gross (Executive Director/ Chief Executive Officer)

Allianz General Insurance Company (Malaysia) Berhad Board Members

As at 20 March 2019



1. Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman - INED) **2.** Goh Ching Yin (INED) **3.** Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (INED)
4. Peter Ho Kok Wai (INED) **5.** Zakri Bin Mohd Khir (Executive Director/Chief Executive Officer)

Allianz Senior Management Team



Allianz Senior Management Team



Allianz Senior Management Team



JANNY NG
#Integrity

MOK KIAN TONG
#StayCurious

LEE CHEE SIN
#SkyIsTheLimit

AMY LOKE
#PushFurther

TAMIL SELVI
#WillPower

STEFAN RITZ
#AllDigital

Allianz Senior Management Team



Allianz Senior Management Team Profile



ZAKRI BIN MOHD KHIR

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

Age: 55 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 was appointed as a council member of Majlis Amanah Rakyat on 1 October 2018 and the Chairman of Social Security Organisation on 8 October 2018.

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 2018.

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 a nominee Director of Allianz SE on the Board of AGIC.

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: Allianz General Insurance Company (Malaysia) Berhad



JOSEPH KUMAR GROSS

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

Age: 54 Gender: Male Nationality: German

Qualification:

1. Degree 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 2018.

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 ALIM.

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

Directorship in Public Companies: Allianz Life Insurance Malaysia Berhad



WANG WEE KEONG

Chief Operations Officer of AMB and AGIC

Age: 47 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 2018.

Directorship in Public Companies: NIL

Allianz Senior Management Team Profile

**CHARLES ONG ENG CHOW**

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

Age: 53 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 29 years of experience in the financial service industry, of which 22 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 2018. 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

**HORST HERMANN HABBIG**

Chief Sales Officer of AGIC

Age: 55 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 2018.

Directorship in Public Companies: NIL

**ONG PIN HEAN**

Chief Sales Officer of ALIM

Age: 55 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 Guang Zhou. In 2005, he became the Chief Sales & Marketing Officer for Allianz Life China in Shanghai. He returned to Malaysia in 2007 to assume his position as Head of the Life Sales Division before assuming 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 2018.

Directorship in Public Companies: NIL

**LIM LI MENG**

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

Age: 54 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 2018.

Directorship in Public Companies: NIL

Allianz Senior Management Team Profile



AMY LOKE SIEW PEI

Chief Market Management Officer of the AMB, ALIM and AGIC

Age: 40 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 2018.

Directorship in Public Companies: NIL



MOK KIAN TONG

Chief Risk Officer of AMB and AGIC

Age: 58 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 2018.

Directorship in Public Companies: NIL



STEFAN RITZ

Chief Operations Officer of ALIM and Chief Digital Officer of AMB

Age: 47 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 2018.

Directorship in Public Companies: NIL



MARCUS CHIANG BIN FONG

Chief Information Technology Officer of AMB, ALIM and AGIC

Age: 53 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 2018.

Directorship in Public Companies: NIL

Allianz Senior Management Team Profile

**NG SIEW GEK**

Company Secretary and Head of Allianz4Good of AMB, ALIM and AGIC

Age: 53 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. She is also the Head of Allianz4Good Department, the corporate responsibility arm of the Group since 2011. 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 2018.

Directorship in Public Companies: NIL

**WONG WOON MAN**

Group Head of Human Resources of AMB, ALIM and AGIC

Age: 50 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 2018.

Directorship in Public Companies: NIL

**MANOGARI MURUGIAH**

Group Head of Legal of AMB, ALIM and AGIC

Age: 58 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. Effective 1 February 2019, the legal and compliance functions were segregated and she assumed responsibility for the legal functions. 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 2018.

Directorship in Public Companies: NIL

**JANNY NG SIEW LENG**

Group Head of Internal Audit of AMB, ALIM and AGIC

Age: 49 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 2018.

Directorship in Public Companies: NIL

Allianz Senior Management Team Profile



LEE CHEE SIN

Appointed Actuary of ALIM

Age: 34 Gender: Male Nationality: Malaysian

Qualification:

1. Bachelor of Commerce (Majoring in Actuarial)
2. Fellow of Society of Actuaries (FSA)
3. Fellow of Actuarial Society of Malaysia (FASM)
4. Fellow of Life Management Institute, LOMA

Working Experience and Other Information:

Lee Chee Sin joined the Company on 17 April 2017 as Head of Corporate Actuarial. He assumed his current position on 9 July 2018. 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 2018.

Directorship in Public Companies: NIL



FELICIA LEE CHI KWAN

Head of Finance of AGIC

Age: 52 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 2018.

Directorship in Public Companies: NIL



RAFLIZ RIDZUAN

Chief Underwriting Officer of AGIC

Age: 49 Gender: Male Nationality: Malaysian

Qualification:

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

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 2018.

Directorship in Public Companies: NIL



YEOH ENG HUN

Chief Strategy & Product Officer of ALIM

Age: 41 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 in 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 regulatory bodies during the financial year 2018.

Directorship in Public Companies: NIL

Allianz Senior Management Team Profile

**WONG SIEW LIN**

Chief Investment Officer of AMB, ALIM and AGIC

Age: 43 Gender: Female Nationality: Malaysian

Qualification:

1. BSc Business Administration
2. Chartered Financial Analyst
3. Financial Risk Manager

Working Experience and Other Information:

Wong Siew Lin joined the Company in August 2012 as Head of Investment Management. She assumed her current position on 1 June 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 2018.

Directorship in Public Companies: NIL

**SHAMALA GOPALAN**

Group Head of Corporate Communications of AMB, ALIM and AGIC

Age: 48 Gender: Female Nationality: Malaysian

Qualification:

1. Bachelor of Arts

Working Experience and Other Information:

Shamala Gopalan joined the Company in 2010 as Assistant Manager in AMB. She assumed her current position in 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 2018.

Directorship in Public Companies: NIL

**CORRINE YEO CHIN SAN**

Chief Risk Officer of ALIM

Age: 35 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 2018.

Directorship in Public Companies: NIL

**TAMIL SELVI SHANMUGAM**

Group Head of Compliance of AMB and AGIC

Age: 56 Gender: Female Nationality: Malaysian

Qualification:

1. Bachelor in Accounting (Hon)
2. Registered Accountant (M)
3. Associate in MII

Working Experience and Other Information:

Tamil Selvi joined the company on 2 February 1997 as the Chief Internal Auditor and assumed her current position on 2 February 2019.

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 2018.

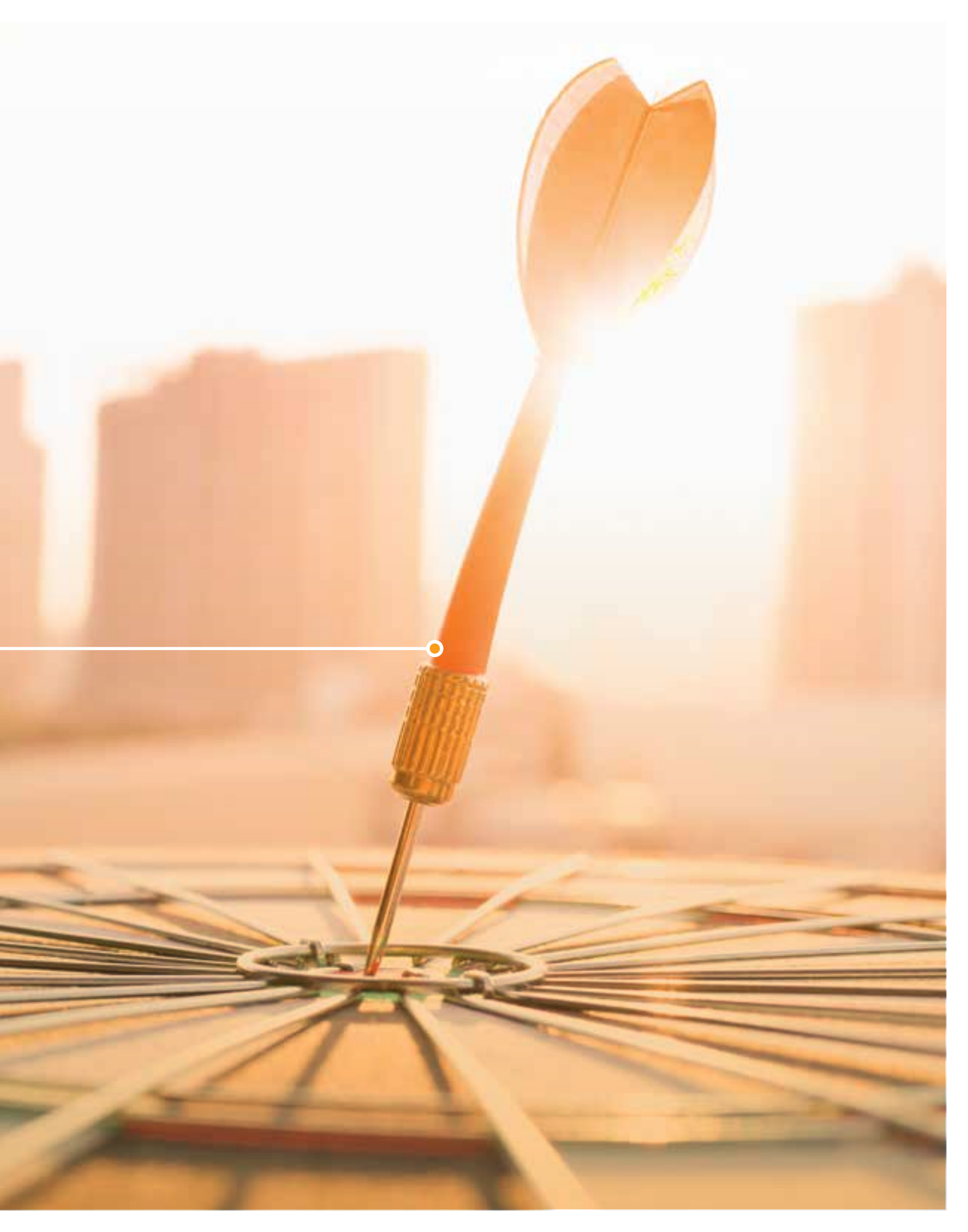
Directorship in Public Companies: NIL



Competency



The future belongs to those who are competent, those who excel at what they do. For us, we believe that excellence is driven by passion. We strive to excel in everything we do because our passion to deliver the best to our customers will never stop.



Chairman's Statement

Dear Shareholders,

I am pleased to report that Allianz Malaysia Berhad ("Company") continued to deliver top-line growth in the financial year ended 31 December 2018. The past year saw slower economic growth and global uncertainties. Nonetheless, the Company and its subsidiaries (collectively referred to as "Group") maintained a strong growth momentum and continued to deliver sustainable shareholder value.

The year 2018 was a rather challenging year for the Malaysian economy as we experienced a slowdown in GDP growth momentum. This was mainly due to external factors including the US-China trade tensions, geopolitical concerns, global monetary shifts and turbulence in emerging markets.

Locally, the tax holiday from June to September arising from the reversion to the Sales and Services Tax from the Goods and Services Tax boosted consumer spending for the period. However, post GE14 the new government's efforts to restructure the economy and cut back on public spending, headwinds in the commodities industry and continued concerns on household debt and wage growth saw the Malaysian economy grow at a slower pace of 4.7 percent in 2018 against 5.9 percent in 2017.

Despite these challenges and flat growth in both the general and life insurance sectors, the Group continued to deliver top-line growth with an operating revenue of RM5.18 billion, growing at 7.9 percent from RM4.80 billion in 2017. The Group achieved RM4.50 billion in Gross Written Premiums ("GWP") for 2018, representing year-on-year growth of 5.1 percent from RM4.29 billion in the previous year. This was a result of significant improvements in our life insurance business.

In tandem with the solid top-line performance, the Group's profit before tax increased by 18.7 percent to RM519.0 million from RM437.3 million in 2017, resulting in an 11.1 percent increase in basic earnings per share to 167.90 sen from 151.19 sen the year before.

DELIVERING SUSTAINABLE SHAREHOLDER VALUE

The Group's performance in 2018 demonstrates our continued commitment to deliver sustainable shareholder value. We also endeavour to protect investors' capital and provide attractive dividends while considering the capital requirements of our insurance subsidiaries. With this long-term view, we have continued to build the Group's resilience and improve our financial position. Reflecting this and as part of our commitment to provide value to our shareholders, the Board has declared a single-tier interim dividend of 40.00 sen per ordinary share (2017: interim dividend: 12.00 sen) and a single-tier dividend of 48.00 sen per irredeemable convertible preference share ("ICPS") for FY2018 (2017: interim dividend: 14.40 sen). This represents a dividend pay-out which is three times higher than in 2017.

Through the years, we have focussed on building value for the Group and by placing customers at the heart of everything we do. We recognise the importance of providing them with unparalleled services and meaningful products. This has enabled us to gain their trust in helping to provide them with protection in times of need and opportunities for wealth creation. Above all, we pride ourselves in delighting our customers, ensuring that we truly care for their well-being.

Backed by the Group's financial performance, we stand humble yet proud as we reflect on the Customer Satisfaction Index survey that was conducted by Nielsen Malaysia. This was done in collaboration with Bank Negara Malaysia, the Life Insurance Association of Malaysia, Persatuan Insurans Am Malaysia, and the Malaysian Takaful Association. The results clearly placed the Group among the top players in the industry in terms of customer satisfaction.

We continue to enjoy our customer's trust and confidence in our Life Insurance segment as we maintained a positive level of customer satisfaction and responsiveness. Improvements have been identified for our General Insurance segment and we will strive to do better.

Our training programmes have come a long way in helping our associates identify our customers' true needs, as projected in the survey. Apart from policy delivery to our clients where we continue to be at market, we are happy to note that upon further in depth analysis into our customer's feedback, the Group can perform better in our claims settlement time frame.

We invest heavily in our people and with our award winning technology solutions in our Contact Center, we continue to listen to our customers' voices. We aspire to be their reliable partner and continuously strive to deliver excellent and caring customer experience.

Chairman's Statement

**TAN SRI DATUK
(DR.) RAFIAH
BINTI SALIM**

Chairman – Non-Independent
Non-Executive Director

We have further focussed on building sustainable returns by leveraging on IT and innovation to enhance efficiency in serving our customers. As much of the world's commercial activities have shifted to the digital sphere and technological innovations have enabled greater opportunities for companies to meet consumers' rapidly changing and boundless needs, we at the Group have strived to stay ahead of the technology curve. In line with this, the Board of Directors has taken the initiative to visit some of the Group's IT suppliers and vendors to review the latest innovations that we can utilise to better serve our clients. Ultimately, we aim to continuously upgrade our digital capabilities to provide our customers with faster and less complex services.

Our agency force also plays a key role in serving our customers and driving our sales growth. As our frontline representatives, they shoulder the responsibility of advising the best solutions for our customers and responding promptly to their needs. In view of this, we continue to ensure our agents remain highly trained and professional to reflect our expectations on their performance, which ultimately contributes to the successful growth of our business.

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

Chairman's Statement

Our employees represent another component which supports our delivery of value. It is for this reason that we emphasise on employing a professional and qualified workforce which is fully committed to achieving the Group's targets and aspirations. We believe that development should be holistic and include a combination of experience, exposure and education. Our talent pool is given on-the-job and cross-functional experiences through assignments to projects and attachment to different functions within Malaysia and abroad. Leaders are job coaches and some of them are appointed mentors to our talent. At the same time, all employees are encouraged to pursue professional qualifications related to the industry or their specific function. This is usually by way of examination or professional certification. In addition to in-house training programmes, participation in external workshops and conferences is highly encouraged. Some of our leaders are called upon to share insights and best practices at professional forums.

BUILDING SUSTAINABLE COMMUNITIES

The Group recognises that beyond our activities which yield financial benefits, as a good corporate citizen we also strive to contribute to the well-being of society and the environment. To this end, we have established Allianz4Good in 2011. As our corporate responsibility arm, Allianz4Good aims to nurture a culture which addresses social and environmental risks and opportunities while also ensuring the sustainability of our business and society.

Allianz4Good embodies this commitment through corporate volunteering activities and strategic philanthropy. It also represents our promise to exercise transparency and accountability through responsible reporting and disclosure.

Our corporate volunteering activities are focussed on five pillars comprising road safety, financial literacy, disaster risk reduction, community and environment.

Having served close to 50,000 beneficiaries across these five pillars in 2018, we continually aim to balance our needs-based solutions in areas of immediate and long-term concerns. We are guided in particular by the topic of social inclusion, and focus on groups we identify as most displaced such as Indigenous people, refugees, Persons with Disabilities ("PWD"), and the B40.

A particularly significant initiative in this area is our continued support for the SOLS 24/7 Academy of Innovation, which provides vocational and academic training for underprivileged youths who would otherwise be excluded from economic and education opportunities.

We collaborate with the Selangor and Federal Territory Association for the Mentally Handicapped – an NGO that provides education, training, employment and care for children and young adults who are intellectually challenged – to integrate community support into



our touch points by using artwork and handicrafts of their students to produce greeting cards and gifts for our customers.

Since March 2018, all refreshments served at meetings and events have been specifically catered by Social Enterprises and NGOs. These steps have embedded corporate responsibility into our day to day business decisions, while allowing us to support social enterprises and NGOs that work to transform the lives of our target beneficiaries.

Aside from creating impact, Allianz4Good initiatives allow us to develop empathy and awareness among our workforce through continuous volunteering opportunities which we firmly believe contributes to their personal and professional development. We are proud of our employees, who contributed 3,474 volunteering hours as well as their in-kind donations during our festive and year-end gift giving initiatives.

UPHOLDING THE HIGHEST STANDARDS OF GOVERNANCE

The rapid developments impacting today's economic and operational landscape require utmost care in upholding an organisation's standards of corporate governance. As a financial institution entrusted with safeguarding our customers' financial security and peace of mind, good governance is an imperative function to our business and its long-term survival.

Chairman's Statement



In light of this, we have focussed on building our Board composition around specific criteria and skills which we believe will allow the Board to function in line with our corporate governance and regulatory requirements. These criteria and skills are then used to identify suitable candidates who can add value to our decision-making.

As a result, our Board of Directors is composed of individuals who have varied skills and possess regulatory background. In addition to providing a wealth of expertise for us to tap into, the regulatory experience of our Board members ensures that the Group is aware and remains abreast of regulatory requirements, aiding us in adhering to the rules and regulations which govern our business.

Guided by this respect for governance, the Board is able to advise the Group's management on implementing a performance-driven culture that balances its performance across the bottom line, customer service, creativity and innovation and our workforce.

As an insurance company, we are also cognisant of the risks prevalent within our business. While this business requires a certain level of exposure and appetite for risk, the Board nonetheless exercises strong oversight on the risks which impact the Group.

We are further aided by our actuaries, who are highly capable and technically trained to calculate risk and ensure we are adequately protected and able to balance the appropriate amount of risk required to operate in the insurance industry.

THE YEAR AHEAD

The Board expects the Group to continue performing well in 2019 following its commendable performance this year. While economic uncertainties remain, we are positive on the domestic economy and on our ability to take advantage of growth opportunities. Furthermore, the initiatives we have put in place in recent years to secure the sustainability of our business augurs well for continued value creation.

ACKNOWLEDGEMENTS

I would like to take this opportunity to express the Board's gratitude to Y. Bhg. Tan Sri Razali Bin Ismail for his contribution in guiding the Group towards its excellent performance, up until the beginning of my tenure as Chairman.

I would also like to extend my warmest welcome to Solmaz Altin, Renate Wagner and Marzida Binti Mohd Noor who joined the Board on 30 May 2018.

On behalf of the Board, I would also like to thank the senior management team and the Group's employees for their tireless efforts and commitment. Our management and employees form the backbone of our operations and deserve our recognition for their role in driving the Group's success.

Finally, I would like to convey my gratitude to our loyal shareholders, valued customers, agents, brokers, bank distribution partners and our other business partners for their continued support and trust. We also extend our appreciation to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all our other regulatory bodies and authorities for their counsel and support.

Thank you.

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM
Chairman

27 March 2019

CEO's Message and Management Discussion & Analysis

Dear Shareholders,

Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") registered a strong financial performance in FY2018, successfully turning the corner against shifts in the operating environment. The Group also attained solid growth compared with the industry, as it reaped the results of the sustainability measures we have put in place in recent years.

Our results were achieved against the backdrop of political changes, a slowing economy in Malaysia despite strong private sector and consumption growth, as the government's decision to reduce spending, coupled with developments in the external environment, impacted economic growth. Nonetheless, we witnessed positive consumer sentiments particularly in the second half of the year with the abolishment of the Goods and Services Tax and the reintroduction of fuel subsidies.

We also continued to see a lower insurance penetration rate, with the underinsured population in Malaysia remaining high compared with advanced economies. The prevailing trend among Malaysians and Asians is that consumers prefer to purchase insurance for protection instead of savings with a penetration rate of 80 percent and 40 percent respectively. In contrast, insurance companies in Malaysia tend to impose specific requirements on their customers, making it less attractive for consumers to buy insurance for protection.



**ZAKRI BIN
MOHD KHIR**

Chief Executive Officer of
Allianz Malaysia Berhad

**"We remain
focussed
on creating
value for our
shareholders."**

This provided a challenging operating environment, requiring the Group to pursue innovations to ensure the growth of our business. To this end, we see digital solutions as a vital element to drive sales growth and have leveraged on technology to appeal to customers through more convenient, efficient and simplified channels.

During the year in review, we also placed emphasis on our customer relationships to build greater awareness on the need for insurance. Additionally, we strived to strengthen our product base with the introduction of innovative products, while working closely with our agency force to improve customer experience. Furthermore, we commenced an exercise to re-match our employees to positions according to their skills, as we sought to optimise our workforce and align their capabilities with our long-term targets. At the same time, we remained conscious of managing our risk environment to ensure we maintain the Group's resilience in a sustainable way.

CEO's Message and Management Discussion & Analysis

FINANCIAL RESULTS

As a result of the initiatives we implemented during the year, the Group registered an operating revenue of RM5.18 billion in FY2018 compared with RM4.80 billion in FY2017, driven mainly by higher gross earned premiums and investment income of RM313.3 million and RM67.6 million, respectively. Gross Written Premiums ("GWP") amounted to RM4.50 billion, representing a growth of 5.1 percent from RM4.29 billion in the previous year. Consolidated profit before tax reached RM519.0 million, an increase of 18.7 percent from RM437.3 million recorded in FY2017.

Through these commendable achievements, we remained focussed on creating value for our shareholders. As at 31 December 2018, our Group's earnings per share stood at 167.90 sen. Additionally, our financial results in 2018 have again demonstrated the Group's ability to deliver strong performance with return on equity at 11.6 percent.

Our results were supported by growth in both our general and life insurance businesses, with our subsidiaries keeping pace with industry growth.

During the year, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") achieved a GWP of RM2.12 billion versus RM2.14 billion recorded in FY2017, overcoming the loss of business arising from the expiration of its CIMB bancassurance partnership. Its profit before tax increased by 20.1 percent to RM320.6 million from RM266.9 million in the previous year. The company also remains the market leader in the general insurance segment, registering a market share of 11.8 percent. Excluding the business lost from the expiry of the CIMB bancassurance partnership, Allianz General's GWP grew by 6.7% against 2017.

Our life insurance subsidiary, Allianz Life Insurance Malaysia Berhad ("Allianz Life"), also contributed outstanding growth during the year, recording a 10.9 percent increase in GWP to RM2.38 billion from RM2.15 billion in the previous corresponding period. Furthermore, it continued to strengthen its foothold in the life insurance segment, capturing a higher market share of 8.4 percent compared with 7.4 percent in 2017.

Consolidated Group Results

Key Figures: Group

	2018	2017	Delta
Operating Revenue (RM' million)	5,181.93	4,800.99	380.94
Profit Before Tax (RM' million)	518.98	437.28	81.70
Return on Equity (%)	11.6%	9.6%	2.0%
Basic Earnings per Ordinary Share (sen)	167.90	151.19	16.71
Diluted Earnings per Ordinary Share (sen)	109.03	83.28	25.75

BALANCE SHEET REVIEW

The Group's balance sheet and solvency position for both insurance subsidiaries remained robust in 2018. Total assets increased by 4.9 percent to RM17.40 billion as compared to RM16.60 billion in 2017 as a result of growth in our investment portfolio, which grew by 3.8 percent to RM14.25 billion as at 31 December 2018. The investment mix remained relatively stable during the year, comprising government and government-related bonds, unquoted bonds of corporations, quoted equities securities and unit trusts in Malaysia, 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 48.9 percent of our investment portfolio, which grew 9.3 percent to RM6.97 billion. This is followed by unquoted bonds of corporations which accounted for 33.6 percent of our investment portfolio.

+7.9%

Consolidated
Operating
Revenue

+5.1%

Consolidated
Gross Written
Premiums

+18.7%

Consolidated
Profit Before
Tax

+18.2%

Life Business
Profit Before
Tax

+11.6%

Group
Return On
Equity

CEO's Message and Management Discussion & Analysis

The Group's cash and cash equivalents consist of cash and bank balances as well as fixed and call deposits with licensed institutions with maturities of less than three months. Cash and cash equivalents stood at RM1.24 billion, increasing by 32.6 percent from RM0.93 billion in 2017.

Total liabilities grew by 4.3 percent to RM14.04 billion compared to RM13.46 billion the year before as a result of higher insurance contract liabilities which increased by 3.1 percent to RM12.32 billion. This represented 87.8 percent of the total liabilities.

The increase in insurance contract liabilities was in line with the Group's business growth. Other liabilities remained stable at RM1.72 billion compared to RM1.50 billion in the previous year.

The Group registered RM3.36 billion in shareholders' funds as at 31 December 2018, an increase of 7.2 percent from RM3.14 billion in 2017. This is mainly attributed to the net profit generated for the year ended 31 December 2018.

Asset Allocation Review

Type of investment	2018 (RM' million)	2017 (RM' million)	Delta (RM' million)	2018 %	2017 %	Delta pts
Debt instruments; thereof:						
Government and government-related bonds	6,972.06	6,376.61	595.44	48.9	46.4	2.5
Unquoted bonds of corporations	4,792.72	4,622.60	170.12	33.6	33.7	(0.1)
Quoted equities securities and unit trusts	1,462.38	1,938.37	(475.99)	10.3	14.1	(3.8)
Loans	281.93	290.13	(8.20)	2.0	2.1	(0.1)
Cash	332.00	194.20	137.80	2.3	1.4	0.9
Others	408.31	310.67	97.64	2.9	2.3	0.6
Total	14,249.40	13,732.58	516.82	100.00	100.00	-

OPERATIONS REVIEW:

GENERAL INSURANCE

Key Figures

	2018	2017	Delta
Gross Written Premiums (RM' million)	2,121.32	2,135.81	(14.49)
Profit Before Tax (RM' million)	320.57	266.88	53.69
Claims ratio (%)	62.1	62.0	(0.1 pts)
Expense ratio (%)	30.7	32.5	1.8 pts
Combined ratio (%)	92.8	94.5	1.7 pts

Allianz General continues to be the market leader in the conventional general insurance market, with a market share of 11.8 percent as at 31 December 2018. This is despite registering a marginal 0.7 percent decline in GWP to RM2.12 billion in 2018.

Agency remains a key channel for the general insurance business, contributing 59.7 percent, or RM1.27 billion, of the total GWP. Meanwhile, the Franchise channel has grown to become more instrumental in Allianz General's growth, recording 8.9 percent growth over the previous year to contribute 20.6 percent, or RM438.0 million, to GWP.

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 63.4 percent, or RM1.34 billion of GWP, while the remaining RM776.3 million is attributed to Non-Motor which is made up of Property, Health, Personal Accident, Liability, Marine and others.

For the year in review, Allianz General delivered a positive underwriting profit of RM137.8 million, an increase of 35.6 percent from RM101.6 million in 2017. The combined ratio remained healthy at 92.8 percent as compared to 94.5 percent in 2017. This is attributable to an improved expense ratio of 30.7 percent in 2018, against 32.5 percent in 2017, due to one off impact of impairment in insurance receivables the year before. Correspondingly, profit before tax increased by 20.1 percent to RM320.6 million from RM266.9 million the year before.

CEO's Message and Management Discussion & Analysis

LIFE INSURANCE

Key Figures

	2018	2017	Delta
Annualised New Premiums (RM' million)	512.75	452.45	60.30
Gross Written Premiums (RM' million)	2,383.54	2,149.59	233.95
Profit Before Tax (RM' million)	204.44	172.87	31.57
New Business Value (RM' million)	199.77	170.97	28.80

Allianz Life recorded a 13.3 percent growth in overall Annualised New Premiums ("ANP") to RM512.8 million from RM452.5 million the year before. The growth was mainly driven by the Agency, Bancassurance and Corporate Clients and Solutions (previously known as Employee Benefits) channels.

The Agency channel contributed the largest share of ANP at 78.9 percent, amounting to RM404.5 million. This was a 14.9 percent increase from RM352.1 million the year before. The growth was mainly attributable to the successful implementation of our Agency Transformation programme which is aimed at enhancing agent professionalism, creating end-to-end sales process digitisation and increasing agent productivity to effectively mobilise over 4,400 agents nationwide. Investment-linked products made up 73.4 percent of total agency new business production, maintaining a similar level from the performance in 2017.

Under the Bancassurance channel, in 2018 Allianz Life reached the sixth year of its exclusive bancassurance partnership with HSBC Bank Malaysia Berhad. Sales from HSBC recorded a 6.5 percent growth in ANP, accounting for 16.7 percent of the total ANP in 2018.

Corporate Clients and Solutions grew 19.7 percent to RM20.7 million in ANP, from RM17.3 million the year before. Allianz Life continues to have strong relationships with key brokers and maintains a healthy direct channel with several medium-to-large corporations.

Allianz Life registered a record growth in profit before tax of 18.2 percent from RM172.9 million to RM204.4 million. The strong expansion was attributable to the growth in our investment-linked protection business, along with disciplined expense management and effective monitoring and management of claims. Our main measure of profitable growth, New Business Value ("NBV"), registered a 16.8 percent increase in 2018.

RENEWAL AGENDA

The year 2018 marked the final year of Allianz Malaysia's implementation of the Renewal Agenda strategy, a three-year transformation plan initiated by Allianz SE which commenced in 2016. The plan is anchored by five strategic pillars comprising True Customer Centricity, Technical Excellence, Growth Engines, Digital by Default and Inclusive Meritocracy.

True Customer Centricity covers our efforts to place our customers at the centre of our business, while Technical Excellence demonstrates our focus on delivering innovative products, underwriting profit, strong margins and enhanced operational efficiency. The key focus areas of the Growth Engines pillar are made up of distribution expansion and professionalisation. This is supported by our Digital by Default initiatives, which places emphasis on our transformation into a digital company delivering an innovative and differentiated customer experience. Under the Inclusive Meritocracy pillar, our initiatives are focused on becoming more collaborative, agile, entrepreneurial and customer-focused.

Our strategy moving forward will be guided by the principles of the Renewal Agenda 2.0 which is built on the foundation of the first three years and to move forward with the transformation of our business.

CREATING VALUE FOR OUR CUSTOMERS

The Group's robust financial performance in FY2018 is underpinned by our efforts to present the value of insurance to customers as we seek to convince the underinsured public of the purpose of acquiring insurance. In addition to consumer awareness activities, we have also provided customers with value-added services such as our concierge services for personal roadside assistance under our Allianz Road Rangers motor accident service offered by Allianz General. We believe that offering such services that place emphasis on customer experience will enable us to gain the public's trust and persuade them to appreciate the value of insurance for protection.

We have also adopted a more discerning approach to segmenting our customers, focusing on high-margin customers who can yield us higher returns. To support this, we educate our people and agency force to offer a variety of products which can meet the distinct and rapidly evolving needs of customers today. This ensures the Group stays relevant in the face of challenging operating conditions.

Allianz Life has adopted a similar approach to serving our customers, with its efforts reflected by increasing customer ratings.

CEO's Message and Management Discussion & Analysis

To further strengthen our customer service capabilities, Allianz Malaysia will gradually start managing our own Managed Care Organisation ("MCO") following the recent launch of our Customer Healthcare Administration ("CHA") operations. Fully operational under Allianz Life since 16 October, CHA will operate as the Company's MCO which was previously handled by several Third-Party Administrators.

STRENGTHENING OUR PRODUCT BASE

Our efforts to deliver exceptional customer service are a vital accompaniment to our product base, which we continue to strengthen to meet customer needs. The launch of our Allianz Road Rangers motor accident service in 2017 is testimony to this.

The service, provided by Allianz General, is the first of its kind in Malaysia, offering a suite of services to assist customers during a car accident, including a 24-hour accident call centre, our Allianz Road Rangers bike brigades and tow trucks, as well as ride-sharing and concierge services.

Allianz Life also continued to enhance its product portfolio, focussing on offering products which are not only profitable for the Group, but meaningful for our clients through a needs-based approach.

SIMPLIFYING ACCESS TO INSURANCE

In recognising the challenges of attracting a larger customer base, we have strived to simplify access to insurance for the public. Our agency force plays a key factor in achieving this, as they serve as our main customer-facing channel to educate customers and distribute our products.

Allianz Life has actively taken steps to transform its agency force, employing only full-time agents to ensure regular production. In line with this, we have set a minimum target for our agents to handle at least four cases per month.

Digital initiatives form another critical component of our efforts to simplify access to insurance. To this end, the Group has adopted various digital tools which can be used to track and follow up on our customers and capture data. This has enabled us to increase the efficiency and productivity of our agency force, while increasing convenience to our customers who appreciate the less cumbersome processes afforded by digital solutions.

In addition to utilising digital tools to simplify the insurance process for our agents, both Allianz General and Allianz Life leveraged on technology to expand its reach to customers through innovative solutions. During the year, Allianz General partnered with one of Malaysia's leading online marketplaces, 11street, to explore distribution of our Smart Home Cover, Allianz Shield and Enhanced

Road Warrior products on their online e-commerce platform. We are also working with insurtech start-up, Policystreet to offer consumers with direct access to our retail products through their website.

Additionally, we partnered with ride-sharing service SOCAR, which arrived in Malaysia in January 2018. Our agreement sees the Group providing insurance for SOCAR's assets and for part of their fleet vehicles, as well as providing roadside assistance and Personal Accident insurance. This is in line with our commitment to supporting new economy start-ups as well as to help preserve the environment by encouraging ride-sharing to reduce carbon emissions.

In the year under review, we also collaborated with artificial intelligence ("AI")-powered chatbot provider, Pand.ai, to develop the Aida chatbot. Aida is the first customer-facing AI insurance chatbot designed to answer product-related enquiries 24/7. The solution is aimed at putting simplified insurance access into action by providing an optimised customer service experience.

We also continued to extend our support to existing partner start-ups such as Speedrent (in the rental marketplace) and Katsana (in the telematics space). Under our partnership with Katsana, we will provide free Personal Accident insurance for users of their DriveMark® app who have a drive score of between 80 and 100. The app scores users' driving styles and rewards safe driving.

Furthermore, we successfully completed the second year of our partnership for the SuperCharger Fintech Accelerator programme, working with the Malaysia Digital Economy Corporation ("MDEC"), PwC, Shearn Delamore and Time dotCom Berhad. The programme provides a platform for local and international scale-ups to accelerate the establishment of their operations in Malaysia and expand in the region by leveraging support and expertise from key stakeholders. This further underscores our support for the development of the fintech industry. The latest instalment of the programme featured a cohort of 10 international technology companies, providing our Group with access to their innovations and solutions.

Meanwhile, Allianz Life has teamed up with DoctorOnCall, Malaysia's first online telehealth platform which connects patients with an extensive network of doctors through the convenience of text messaging, video or audio calls.

DRIVING EMPLOYEE PERFORMANCE

Our employees account for another pillar driving the growth and sustainability of our business. During the year, the Group commenced shifting employee roles from function-specific to job-specific roles. We began implementing this in stages from last year and have seen our employees perform better, as we believe the exercise has allowed us to provide our workforce with greater purpose in the workplace.

CEO's Message and Management Discussion & Analysis

The Allianz Engagement Survey focuses on 3 key metrics as follow:

Employee Engagement Index (EEI)

- measures the degree of satisfaction, loyalty, advocacy, and pride of the employees of the organisation

Inclusive Meritocracy Index (IMIX)

- measures the progress of the organisation on its way towards Inclusive Meritocracy, covering the areas of leadership, performance and corporate culture

Work Well Index® (WWi)

- measures the stress level of employees and work-related strain including the dimensions of job demands, rewards, control and support

In 2018, the Company recorded a favourable response of 79% for EEI, 81% for IMIX and 74% for WWi.

MANAGING THE RISK ENVIRONMENT

Like all businesses, we also face our fair share of risks, including those which are transferred to us in the course of our insurance business. These include the changing environment and demographics in our market.

The General insurance market, in particular the Fire and Motor classes of business, is continuing with its phased liberalisation while the Life insurance market is undergoing planned reforms to support the long-term development of the industry for the benefit of customers. These bring both opportunities and challenges.

Meanwhile, the higher cost of living has resulted in lower disposable income, especially for the Middle 40% and Bottom 40% of the country's wage earners. Unless it is compulsory, insurance is of a lower priority for these groups as they focus their spending on the necessities. Lower wage growth and disposable income, a high level of household debts and depreciating asset prices have also led households to acquire less assets, further diminishing the perceived need for insurance which resulted in marginal industry growth for the General insurance business in 2018.

The ability to differentiate and understand our customers' pain points will be key to achieving sustainable, profitable growth. In this respect, we have initiated a key transformation agenda for both our insurance operating entities which includes process automation and better customer service propositions in delivery and convenience. Notwithstanding, we see such actions as having a limited impact on the culture and belief among Malaysians that personal vulnerabilities which require insurance coverage should be taken care of by the government, especially in the area of healthcare. This mindset change can only be addressed through more education and awareness by the government, NGOs and the private sector.

THE YEAR AHEAD

In the year ahead, the Group will build on and enhance the measures put in place in 2018 to drive us to greater heights. We also believe that results from on-going measures we have introduced in previous years will accelerate, placing us in a solid position to achieve and deliver sustainable value.

Among initiatives we intend to take on in 2019 include:

- Profitable growth
- Paving the way for digital leadership
- Allianz Life: Simplifying & shortening the customer journey; customer flexibility; easier & faster claims

ACKNOWLEDGEMENTS

Allow me to conclude this CEO's Message and Management Discussion & Analysis with a word of gratitude to Y. Bhg. Tan Sri Razali Bin Ismail, who retired as Chairman and member of the Group's Board of Directors in May 2018. We are indebted to Y. Bhg. Tan Sri Razali for the commitment and expertise he contributed to the Group during his 16-year tenure.

We would also like to extend a warm welcome to Solmaz Altin, Renate Wagner and Marzida Binti Mohd Noor as the Company's new directors. On behalf of the Group's management and employees, we extend our sincere congratulations on their appointments.

My appreciation also goes to our shareholders, customers, agents, brokers, bancassurance partners and other business partners for their support and contribution to our growth.

I would like to express a special note of thanks to our employees who enable our operations and tirelessly work to serve our valuable customers 24 hours a day, 7 days a week, 365 days a year.

I am excited at the Group's prospects for the year ahead and am eager to work with all of you to leverage on the foundations we have built thus far to deliver greater value going forward.

Thank you.

ZAKRI BIN MOHD KHIR
Chief Executive Officer



Sustainability Report

2018

< Guided by the United Nation's Sustainable Development Goals and Allianz Group's Renewal Agenda, we continually identify gaps in protection and develop needs-based solutions. This includes providing access to clean drinking water for underserved communities.



CEO's Statement



ZAKRI BIN MOHD KHIR

Chief Executive Officer of
Allianz Malaysia Berhad

“It is our hope that sustainability does not only provide a catalyst for transformation in the ways of doing business, but also in the ways we can work together in conceiving an inclusive and sustainable world for all.”

The path of progress is often paved with unpredictability. As we strive towards realising a truly sustainable world, we find that a necessary constant is a meaningful recognition of the hard work required. A cursory review of 2018 reminds us that sustainability is not a distant goal to aspire towards but rather a non-negotiable commitment demanding urgent action. It is unfortunate that as we move towards 2019, the world remains strife with socioeconomic division and inequalities, reinforced by increasingly recurrent reminders on the environmental pressures our planet is facing.

Undeniably, ingenuity and collective action has resulted in remarkable progress thus far, allowing for socioeconomic development and technological advancements enveloping our daily lives that surpass the imaginations of our forefathers. Yet, despite such advancements, society has found more cause in divisiveness than unity. While the proliferation of digital platforms has enabled change in many fronts that would otherwise be unimaginable, it has also birthed an atmosphere of increased disconnect and distrust. It is apparent that we are living in a time of paradox, where our continued societal progress is seemingly inhibited by the very tools designed to enable it. Inevitably, under these conditions, progress will remain inequitable and out of reach for those requiring it the most.

At Allianz, we continue efforts to integrate sustainability across functions whilst recognising the need for honest appraisals of our larger institutional role in society and the challenges that come with such responsibility. An era of disruption has introduced a new social contract, one where we remain pressingly cognizant of the environmental and social consequences of our actions. We take pride in the achievements we have accomplished in the last year, including recognition as the leading insurer in the Dow Jones Sustainability Index for the second year and the introduction of new sustainable solutions such as the Allianz Solar PV Insurance, a first of its kind in the market.



Allianz Malaysia's Chief Executive Officer, Zakri Khir, with students of SOLS 24/7's Academy of Innovation which has been supported by Allianz since 2017. The academy equips underprivileged youths with skills and knowledge in the areas of personal motivation, English, IT, solar energy and coding to enhance their employability. Read more on our support for SOLS 24/7 in the **Integrating Sustainability** section of this report

Guided by the United Nations Sustainable Development Goals and Allianz Group's Renewal Agenda, we continually identify gaps in protection and develop needs-based solutions. This is achieved through strategic philanthropy as well as our impact-driven engagements with underserved segments of society led by Allianz4Good and shared in this report. As a business model fundamentally based upon people, we have taken initiative to invest in our employees and agency force by leveraging upon digitalisation and innovation as we embark on a long-term transformational roadmap built upon simplified processes and efficiency to enable a seamless experience for our customers.

Nonetheless, we are ever mindful that there is more work to be done. As an organisation in the business of protecting society from unpredictability, we recognise that a vast majority of Malaysian society still lacks the necessary sense of vulnerability crucial for an industry inherently concerned by uncertainties of the future. We believe this requires increasing the accessibility to protective tools available while instilling a sense of proactive ownership over one's own protection and care.

As part of our own commitment to accessibility, our Allianz KampungKu product which extends protection to wooden 'kampung' homes has begun distribution via Pos Malaysia outlets nationwide. While our three-month Allianz Discover A to Z campaign, which reached 20,000 participants across Klang Valley, allowed us to engage the public to discover their insurance needs and raise awareness on the importance of protection.

Through concerted efforts in closing the protection gap from within the industry, across institutions and individuals, accessibility in insurance can encompass not only the availability of affordable protective tools, but also in instilling awareness on the importance of protection and care against the progressively interconnected risks faced by society. It is here that we find that collective action is most equipped in fulfilling demonstrable progress. We must overcome the pervasive environment of disconnect and distrust. We must return to collaborative action to further the goal of societal betterment. It is our hope that sustainability does not only provide a catalyst for transformation in the ways of doing business, but also in the ways we can work together in conceiving an inclusive and sustainable world for all.

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 2018. 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 collectively referred to as “Allianz Group”.

REPORTING PERIOD

1 January 2018 to 31 December 2018

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, and Allianz Group’s Sustainability Report.

A digital version of this report is available on our corporate website allianz.com.my. Please consider the environment prior to printing a copy of this report.



Sustainability Approach

In a time of unprecedented transformation, we must ensure that we are attentive to the challenges and opportunities that shape our operating environment. With risk management being at the core of our business, we believe that agility and responsiveness in the face of change is a responsibility we must fulfil as part of our commitment to sustainability.

The Allianz Risk Barometer 2019 provides a timely reminder on the need for concerted and holistic action in sustainability. Upon gathering views from 2,415 respondents, it revealed that Business Interruption due to exposure to other risks – including technological failures, political uncertainty and environmental devastation – remains a top threat for companies globally.

Cyber risk retains prominence among all emerging global risks, intensified by heightened proliferation and consumption of digital platforms and tools across society. While technology plays a significant role in our efforts towards innovation-led sustainability in Allianz, it is not through technology alone that we innovate – but also through a transformation in the way we think and do business.

In 2018, the “Bonn Ambition” launched the ‘Insurance Industry Development Goals for Cities’ which set out ten goals that cover actions from within the industry towards realising the United Nations’ Sustainable Development Goal (“SDG”) 11 to ‘Make cities inclusive, safe, resilient and sustainable’. Alongside the UN’s SDGs and Allianz Group’s Renewal Agenda, such industry-specific commitments have provided us with an effective roadmap for harnessing our expertise and optimising our resources towards long-term value creation and impact.

Admittedly, we are operating within an environment of continued socio-political divisiveness and persistent economic inequalities globally. We believe such realities cannot be ignored, but must be regarded as opportunities to leverage upon creativity and innovation in the face of diverse and complex risks. Through our roles as a **responsible business**, an **employer of choice** and a **responsible corporate citizen**, we endeavour to continually honour our commitment to sustainability in a holistic manner, addressing the concerns of our stakeholders in tandem with business considerations and our societal responsibilities.

OUR KEY SUSTAINABILITY ACHIEVEMENTS 2018

Gross
Written Premium

+5.1%

Amount spent on
Employee training over

RM3 Million

Winner of

**LOMA’s Excellence in
Education Award**

Claims paid out to
Kampungku policyholders

RM669,190

Women in
Management Positions

60%

Reduction in
paper usage since 2017

34.2%

Number of Users on
Corporate Website

1.4 Million

Work Well
Index

74%

Direct beneficiaries of
our 2018 CR initiatives

49,591

Sustainability Statement

Sustainability Governance

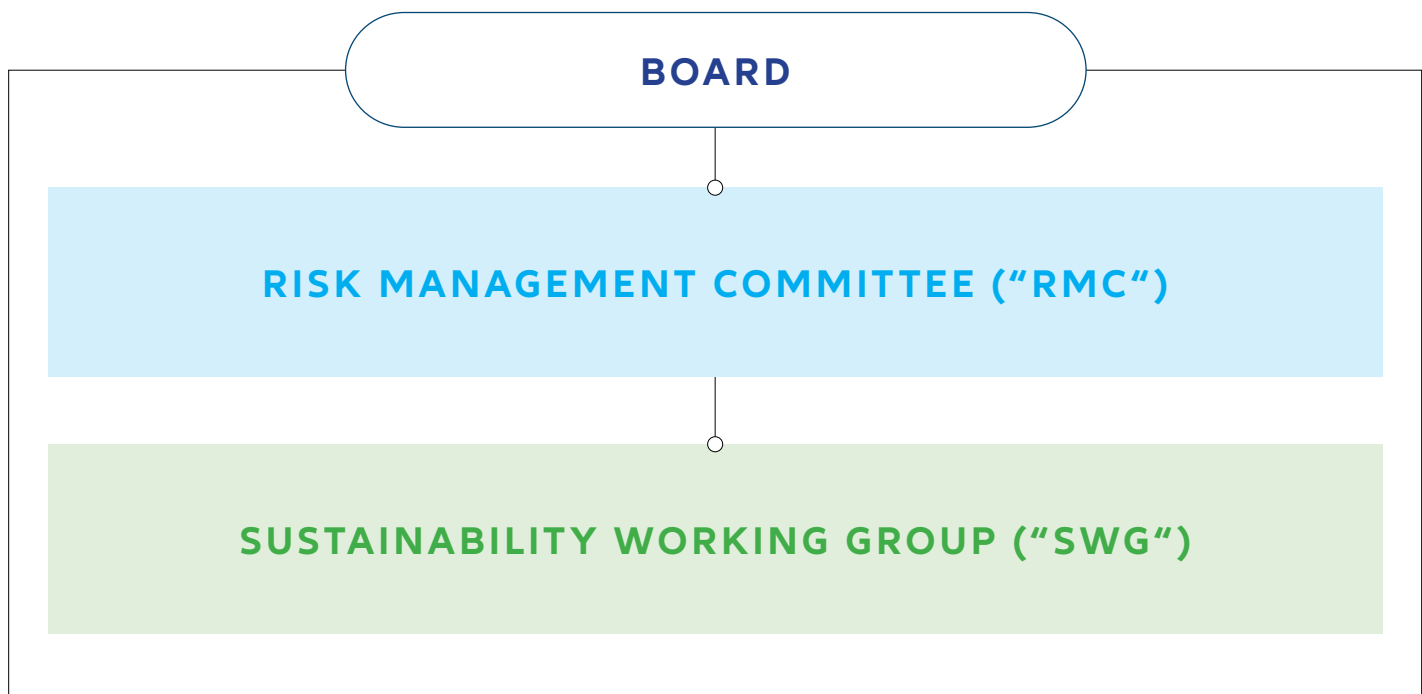
Our sustainability strategy is overseen by the Allianz Board ("Board"), supported by the Risk Management Committee ("RMC") and Sustainability Working Group ("SWG") as indicated in **Diagram 1**. The RMC and SWG are chaired by an Independent Non-Executive Director and the Head of Allianz4Good respectively, with support from members of Senior Management from both subsidiaries and other designated officers. The structure of our sustainability governance ensures that our sustainability initiatives are effectively integrated, implemented and monitored across our organisation.

Our sustainability strategy is shaped through continual assessments by the Board through the RMC, based upon prevalent sustainability concerns and Allianz's overall business strategy.

The SWG is responsible for driving efforts to realise sustainability targets as well as monitoring the relevant measures and indicators. This is the second year of our 3-year Sustainability Targets and Indicators established in 2017, the progress of which is disclosed in **Table 1**.





In order to effectively drive initiatives in our sustainability focus areas of Environment and Social Inclusion, we are in the midst of establishing two subcommittees with broader participation from within our workforce to provide a platform for cross-functional ideation and solutions.

Diagram 1






Sustainability Statement

Table 1: Allianz Sustainability Targets and Indicators (2017 to 2019)

Theme	Target	Sustainability Matter 2018	Yearly Indicators	2017	2018
	To achieve Loyalty Leader position for both subsidiaries	Customer Satisfaction	Results of Net Promoter Score ("NPS")	Allianz General: ↑14.7%	Allianz General: ↑5.5%
				Allianz Life: ↑13.6%	Allianz Life: ↑17.4%
			Number of resolved complaints	582	519
			Average complaint processing time	Allianz General: 7 working days	Allianz General: 10 working days
				Allianz Life: 12 working days	Allianz Life: 16 working days
	Adopting technological innovation	Technological Innovation	New users of digital platform available	Website ¹ : 184,360	Website: 187,460
				A to Z App: 3,459	A to Z App: 8,680
			Increase in engagement rate on Allianz digital platforms	Imagine App: 86%	Imagine App: 95%
		Business Innovation	Number of claim cases reported via digital platform for customers	A to Z App: 1,066	A to Z App: 2,654
			Number of Allianz operations that have been digitalised (cumulative)	5	9
				(i.e. Enhanced Imagine, ePolicy, Banca eSub, A to Z App & Expert UW)	(i.e. e-communication, Service Request System, Recruiting Monitoring Form Digital, Needs Discovery Performance Management)
			The number of digital partners on-board	Allianz General: 27	Allianz General: 41 Allianz Life: 1
	Number of policies distributed/sold through digital platforms (Allianz Online)	Allianz General: 1,000	Allianz General: 11,207		
	To develop an agile workforce that is aware of and responsive to potential risks	Regulatory Changes	No. of relevant awareness trainings conducted	8	7
		Ethics & Compliance	No. of relevant awareness campaigns conducted	5	5
		Quality of Risk Management	Roll-out of awareness campaigns to workforce	100%	100%
	Provide employee learning and development	Talent Attraction & Retention	Percentage of employees who attended at least one training session	48.4%	34.4%
			Number of training days per employee yearly	3.7 days	3.1 days
			Total RM spent on employee training yearly	RM3.72 million	RM3 million
			Number of employees who completed professional examinations	113	94

¹ The 2017 figure is restated following implementation of a new tracking tool in 2018. This is detailed further in the **Technological Innovation** section of this report.

Sustainability Statement

Theme	Target	Sustainability Matter 2018	Yearly Indicators	2017	2018
	Having fair employment practices, fostering diversity and equal opportunities	Fair Employment Practices	Employee Engagement Index	81%	79%
			Inclusive Meritocracy Index	82%	81%
			Employees by gender and job position	60% female managers	60% female managers
			Employees based on age groups	25 below: 5.57%	25 below: 5.0%
				25-34: 38.39%	25-34: 37.95%
				35-44: 34.47%	35-44: 33.50%
				45-54: 15.57%	45-54: 18.06%
				55 and above: 6%	55 and above: 5.49%
Employees with disabilities	21 employees	23 employees			
	Increasing consideration of Environmental, Social & Governance (“ESG”) matters into business decisions & operations	Integrating Sustainability	Number of Sustainable Solutions offered to customers	4	5
			Total CO ₂ e emissions per employee (kg)	2,915kg ²	2,613kg
			Total water consumption (m ³ per year)	22,000m ³	18,466m ³
			Total amount of electricity consumption (kWh per year)	4,435,000kWh	4,039,361kWh
			Total amount of paper consumption (kg per year)	119,216kg	78,453kg
			Total amount of paper recycled (kg per year)	43,417kg	26,596kg
	To reduce societal risks and equalise opportunities of underserved communities	Community Development	Total number of beneficiaries	~31,288	~49,591
			Total volunteering man hours	1,470 hours	3,474 hours
			Total amount allocated for beneficiaries through Corporate Responsibility (RM allocated yearly)	RM2,379,500	RM1,845,540
			Total amount of donations company-wide to support local communities (RM yearly)	RM562,561.27	RM279,945.01
			Total amount of sponsorships company-wide (RM yearly)	RM1,867,596.60	RM2,067,030.00
			Number of community partners	47	58

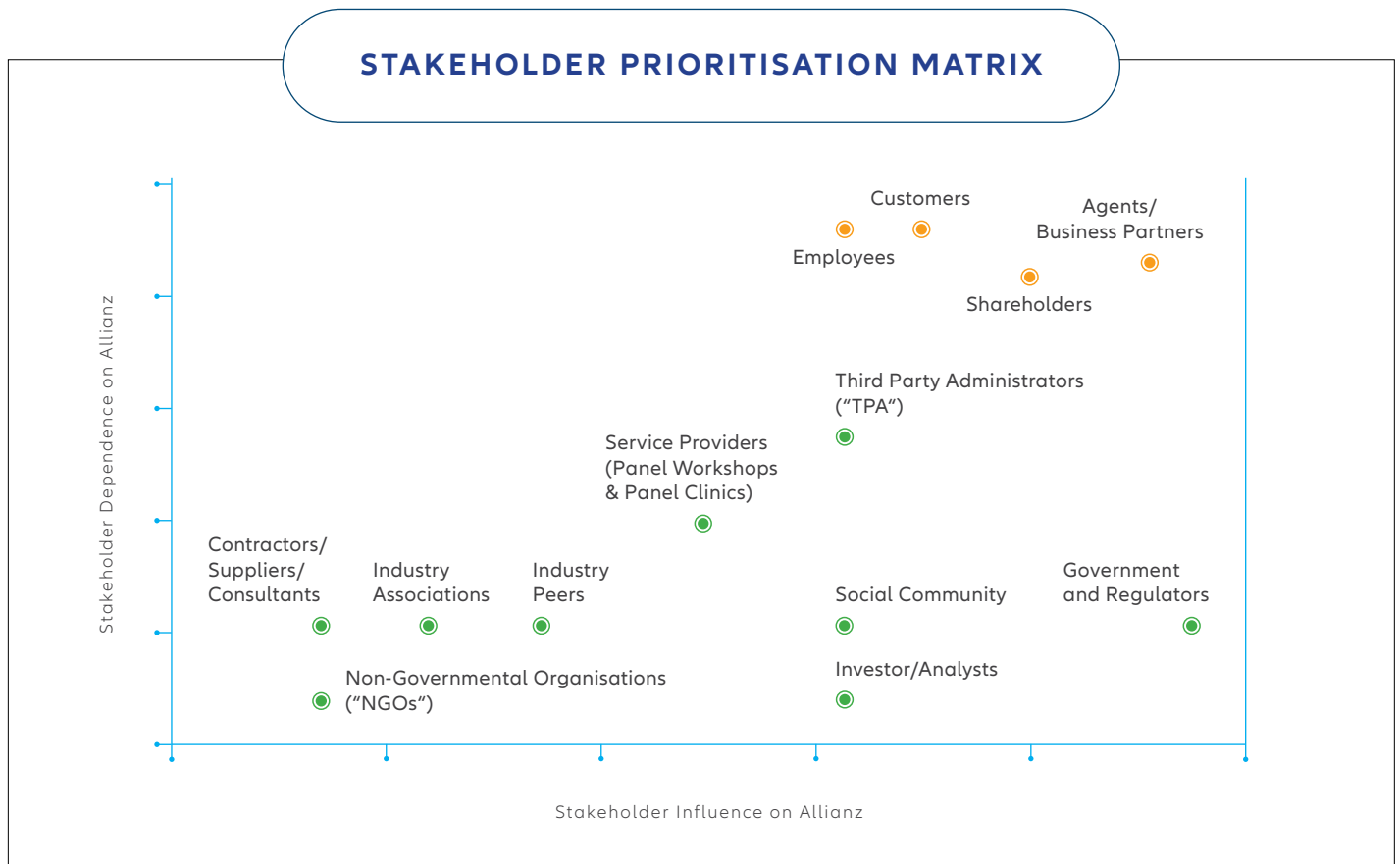
² The 2017 figure is restated following implementation of a new conversion factor by Allianz Group in our Environmental Management System (“EMS”). Both figures reported here reflect this change. More information on our EMS can be found in the **Integrating Sustainability** section of this report.



Our Game Changers







Our key stakeholders, identified through a stakeholder prioritisation exercise to have the most influence and dependency on Allianz, are indicated in **Diagram 2**. Our stakeholder engagement exercise focused in particular on these high priority stakeholders to gauge their feedback on the Economic, Environmental and Social (“EES”) topics they view as most material to Allianz. The outcome of this engagement exercise, identifying the material sustainability matters according to stakeholder group, can be viewed in **Table 2**. While the material issues relating to key drivers and core to our business remain highly ranked across all stakeholder groups, we note that Cyber Risk is emerging as a significant material issue due to increasing cyber exposure in the market.

Diagram 2: Stakeholder Prioritisation Matrix








Sustainability Statement

Table 2: Outcome of Stakeholder Engagement

Stakeholder Groups	Engagement Channels	Key Areas of Concern	Allianz Response
Customers	<ul style="list-style-type: none"> Sustainability Survey 2018 Online platform (e.g. corporate website, social media, smartphone applications & mobile messaging) Customer satisfaction survey (Net Promoter Survey) Community events (i.e. Allianz Pacer Run 2018, Allianz Pacesetter 2018 and Allianz Rocks 2018) 	<ul style="list-style-type: none"> Ethics & Compliance Customer Satisfaction Regulatory Change Quality of Risk Management Talent Attraction & Retention 	 Page 60 - 77  Page 78 - 85
Employees	<ul style="list-style-type: none"> Sustainability Survey 2018 Allianz Employee Survey Employee on-boarding training Townhall meetings Allianz internal publications (e.g. monthly newsletters & quarterly magazines) Allianz staff portal Learning and development programmes Corporate volunteering programmes Direct employee feedback One to One Interviews 	<ul style="list-style-type: none"> Customer Satisfaction Ethics & Compliance Cyber Risk Business Innovation Quality of Risk Management Integrating Sustainability 	 Page 60 - 77  Page 86 - 103
Agents/ Business Partners	<ul style="list-style-type: none"> Sustainability Survey 2018 Allianz internal publications (e.g. Agents magazine & quarterly magazines) Seminar & annual marketing conventions Agents training sessions Online platform (e.g. corporate website, social media, smartphone applications, mobile messaging & Allianz agent portal) Corporate volunteering programme Corporate events (e.g. festive dinner) 	<ul style="list-style-type: none"> Customer Satisfaction Business Innovation Technological Innovation Regulatory Change Ethics & Compliance 	 Page 60 - 77
Industry Associations	<ul style="list-style-type: none"> Sustainability Survey 2018 Public partnerships One-to-one meetings 	<ul style="list-style-type: none"> Ethics & Compliance Regulatory Changes Quality of Risk Management 	 Page 60 - 77

Sustainability Statement



Stakeholder Groups	Engagement Channels	Key Areas of Concern	Allianz Response
Investors/ Shareholders	<ul style="list-style-type: none"> • Sustainability Survey 2018 • Annual General Meetings • Quarterly analyst briefings • Quarterly Reports and Annual Reports • Shareholders' circulars • Fund Performance Reports • Online platform (e.g. corporate website & social media) • One-to-one meetings with fund managers and investors • Media releases 	<ul style="list-style-type: none"> • Business Innovation • Ethics & Compliance • Customer Satisfaction • Technological Innovation • Cyber Risk 	 Page 60 - 77
Community	<ul style="list-style-type: none"> • Sustainability Survey 2018 • Online platform (e.g. social media & smartphone applications) • Corporate volunteering programmes (e.g. community events, knowledge-sharing initiatives & partnerships with Non-governmental organisations) 	<ul style="list-style-type: none"> • Customer Satisfaction • Ethics & Compliance • Cyber Risk • Business Innovation • Quality of Risk Management • Integrating Sustainability 	 Page 60 - 77  Page 86 - 103
Media	<ul style="list-style-type: none"> • Sustainability Survey 2018 • Press conferences and events • Media releases 	<ul style="list-style-type: none"> • Customer Satisfaction • Technological Innovation • Ethics & Compliance • Cyber Risk • Societal Change 	 Page 60 - 77  Page 86 - 103

Legend:



Responsible Business



Employer of Choice



Responsible Corporate Citizen

Sustainability Statement

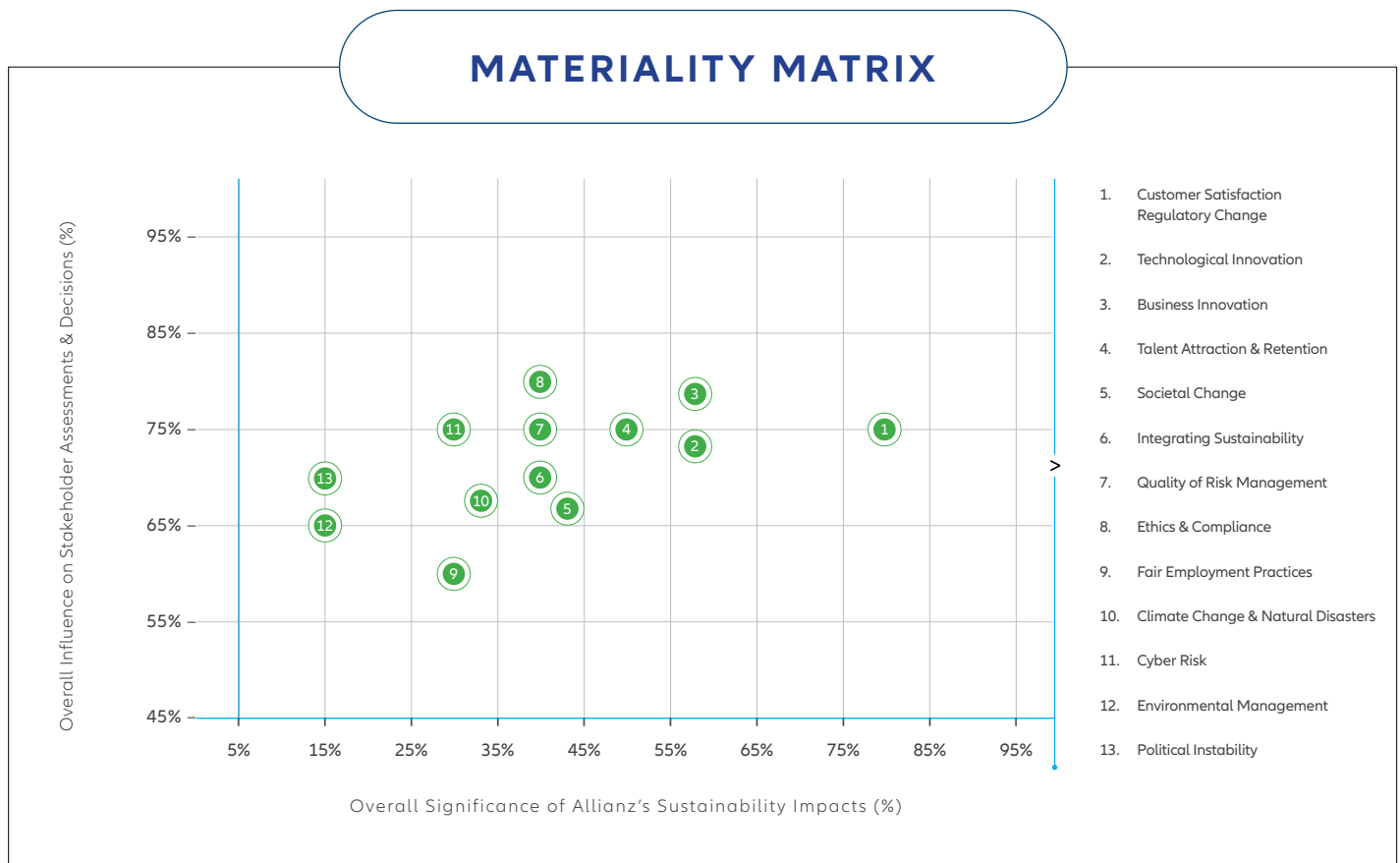
Materiality

As a reflection of our commitment to transparency and accountability, the progress of our sustainability strategy disclosed within this report is shaped around the sustainability matters identified as most material by our stakeholders. These material matters are determined via our annually conducted materiality assessment exercise which is developed with guidance from Bursa Malaysia’s Sustainability Reporting Guide, the UN SDGs, global risk trends and Allianz Group’s sustainability strategy.

Our material analysis is comprised of one-to-one interviews and our Sustainability Survey 2018, which was circulated to eight stakeholder groups beginning January 2019. In an effort to continually improve, we have further reduced the number of our sustainability matters to 14, by consolidating the matters ‘Community Development’ and ‘Integrating Sustainability’. We believe this provides for better clarity as ‘Community Development’ overlaps with our social-focused initiatives as part of ESG integration in our business decision-making. This consolidation was approved by the SWG and RMC in February 2019.

Our stakeholder groups ranked each sustainability matter 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. The resulting materiality matrix and Top Ten Sustainability Matters are indicated in **Diagram 3** and **Table 3** respectively.

Diagram 3: Materiality Matrix



**Table 3: Allianz Top 10 Material Sustainability Matters 2018**

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		Business Innovation	Digitalisation of processes, automation, using big data, online offerings	Growth Engines
4		Technological Innovation	Business development into new segments/markets, emerging fintech industry, adapting to future work trends	Digital by Default
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		Quality of Risk Management	Operational Risk, Underwriting Risk, Credit Risk controls, Market Risk	Technical Excellence
8		Integrating Sustainability	Taking ESG matters into consideration in business and investment decision-making, providing appropriate/needs-based insurance solutions	Growth Engines
9		Fair Employment Practices	Diversity and equal opportunities, Health, safety and well-being, open communication	Inclusive Meritocracy
10		Cyber Risk	Data Privacy & Security, risks due to emerging technologies, reputational risks related to digital media	Technical Excellence

Responsible Business



Customer Satisfaction

Customer satisfaction continues to take the lead among the Top 10 sustainability material matters identified by our key stakeholders. At Allianz, we are committed to providing holistic protection and services to meet our customers' ever-evolving needs. In a time of rapid change, the role of insurers is steadily evolving beyond that of a passive guardian and towards one of an activist protector.

As the ultimate shared value industry, we believe in shedding the reputational passivity characteristic of legacy industries such as insurance by becoming an approachable and reliable partner to our customers. Our decision-making is shaped by our core value of True Customer Centricity, which has inspired us to embark on long-term transformational journeys across our organisation to ensure that we provide simplicity and the highest standard of care at every touch point along our customers' journey.

OUR INSURANCE FOOTPRINT



UNDERSTANDING OUR CUSTOMERS

The annually conducted Net Promoter Score ("NPS") is an important measure of customer loyalty while offering insight on a customer's interactions with us. This exercise is undertaken in coordination with Allianz Group to ensure streamlining of methodology and standards across the group. Our NPS scores for years 2017 and 2018 indicated in **Table 4** below, reflects the continued improvement achieved by both Allianz General and Allianz Life. In 2018, the latter achieved a strong Above Market position, with quality and value of products and service being the most relevant business drivers in this segment.

Table 4: Net Promoter Score

	Top Down NPS Performance 2017	Top Down NPS Performance 2018	
Allianz General	-4.6% (Market average = -13.5%)	+0.9% (Market average = +2.4%)	+5.5%
Allianz Life	-5.2% (Market average = -10.6%)	+12.2% (Market average = -0.9%)	+17.4%



From Customer Service to Customer Advocacy Roadmap

In 2018, we commenced the second stage of our 'From Customer Service to Customer Advocacy Roadmap' to develop a 'New Gold Standard' in customer service, as part of our long-term transformational journey to become a truly reliable partner to our customers. The four pillar strategy allows us to enhance our methodology and address specific aspects of servicing our customers in a targeted manner. Since the commencement of the roadmap in 2015, we have invested significantly in our technological capabilities and digital assets thus allowing an improvement of our customer insights and their pain points.

IMPROVING OUR CUSTOMERS' JOURNEY

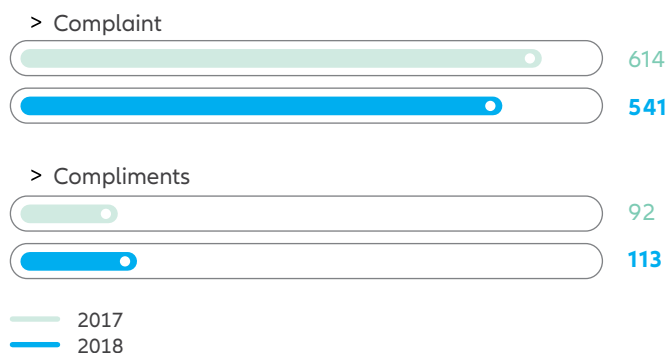
In 2018, we accelerated our Digital by Default agenda through the introduction of omni-channel customer touchpoints, namely social media and live-chat functionalities – promoting alternatives to customers in addition to the readily-available telephone and email channels. The awareness on agility propelled us to embrace and implement technological advancements in the channels made available to our customers. This resulted in an increase in our interactions by over 600% via live-chat, which saw a climb to over 1,200 digital interactions.

In addition to improving and enhancing our customers' overall interaction and experience with us, we are also deeply committed to drawing insight from the voice of the customer and turning them into actions that will ultimately garner their long term support and loyalty as we continue to transition from a transactional to a relationship and advisory role. This year we launched the Allianz Customer Satisfaction Survey to allow our customers to share feedback on our service standards. After each phone, email, chat or social media interaction, customers receive a unique survey link via email to rate their experience with our Customer Advocacy Associates. A similar survey is also sent to customers upon closure of complaint cases to ensure their issues were resolved in a timely and professional manner.

We continue to enhance the channels available for customer feedback and endeavour to provide the same level of service across all touch points. This includes the launch of our Live Chat, available Mondays to Fridays from 8:45am to 5:45pm, which was developed in consideration of customers' increased preference to communicate via email and chat. Another effort to ease communication and accessibility for our customers is the extension of our Allianz Contact Center business hours from 8am to 8pm. This was implemented to accommodate customers who are not able to reach us during usual business hours.

Between April to July 2018, twenty-five sessions of the Complaint Management Annual Refresher Course were conducted to educate over 800 employees on understanding and addressing customers' complaints effectively. We believe a decrease in complaints and the corresponding increase in compliments from our customers, indicated in **Diagram 4**, can be attributed in part to such efforts to embed customer understanding across the organisation. This year also saw a decrease in the number of Allianz General complaints escalated to Bank Negara Malaysia compared to 2017. We believe this demonstrates progress made as part of our commitment to resolve customers' problems and in providing an excellent customer experience especially during their Moments of Truth.

Diagram 4: Number and types of customer feedback received



Responsible Business

ALLIANZ CUSTOMER SERVICE INSTITUTE

Beginning 2017, our Customer Advocacy and Human Resources divisions collaborate to pilot the Customer Service Institute, a platform to enhance the knowledge and expertise of our customer advocacy associates through one-to-one and classroom training with various subject matter experts from our underwriting and claim departments. By identifying and addressing areas of weakness, we are able to equip our associates with the knowledge necessary to effectively support and assist our customers.

V

ALLIANZ RECEIVES RECOGNITION FROM THE NATIONAL CONTACT CENTRE AWARDS 2018



The introduction of our Customer Relationship Management system in 2017 continues to provide an efficient workflow for our Customer Advocacy Associates and a shorter Turnaround Time ("TAT") for our customers. The system has an in-built response tracking and knowledge management system which is tailored to a customer's enquiry and generates an interaction log on the customer's profile to avoid duplication and for future reference.

This system, as part of our efforts in developing a 'New Gold Standard' in customer service were recognised at the National Contact Centre Awards 2018, taking home three awards. Allianz won silver in the Best Customer Relationship Management for Contact Centre and merit for Best Innovative Adoption Award, while employee Ivy Erny Ibrahim won silver for Best Contact Centre HR Support Specialist.

The National Contact Centre Awards 2018 is an annual event by the Contact Centre Association of Malaysia which honours members of the Malaysian Customer Relationship Management and Contact Centre industry who strive to bring customer experience to the next level.

In addition to these recognitions, Allianz did well in the recent Customer Satisfaction Index commissioned by Bank Negara Malaysia with the cooperation extended by Nielsen, LIAM and PIAM. These pinnacle achievements speak volumes about Allianz commitment towards creating a second to none customer experience.

ENHANCING CUSTOMER EXPERIENCES

Allianz Road Rangers

Allianz Road Rangers is part of our motor claims transformation journey to ensure customers experience a seamless journey when making accident claims. It is designed to address specific stress points usually encountered by customers following a motor accident.



The Allianz Road Rangers video campaign set out to create awareness on a customer's journey following a breakdown or accident



Following the successful nationwide launch of our Allianz Road Rangers service in January 2018, a video awareness campaign highlighting its seven touch points – encompassing our 24-hours Accident Call Center, Allianz Bike Brigades, Allianz Tow Trucks, claims assistance, ride-sharing services, Allianz motor ODX claims and vehicle delivery – of the Allianz Road Rangers customer journey was launched on social media platforms such as Facebook and YouTube in June 2018.

The Allianz Road Rangers: 24-Hour Call Centre advertisement, as part of this video awareness campaign, nabbed the award for Top Ad in Financial Services and Institutions at the YouTube Malaysia Awards 2018. The award-winning video reached 2,959,772 views as of December 2018, indicating that the content resonated with viewers while furthering our goal of enhancing awareness among consumers on the motor accident claims process.



Number of Customers
that Benefited from
Road Rangers in 2018

~59,627



ALLIANZ DISCOVER A-Z CAMPAIGN



The Allianz Discover A-Z Campaign was held from 1 July to 23 September 2018 to encourage Malaysians to learn more about insurance protection and demystify the perception that insurance plans are complex and full of technicalities. Over 20,000 members of public participated via its online platform at discoverallianz.com.my and interactive activities held in five selected malls across Klang Valley. By utilising quizzes, games and contests that came with attractive prizes we were able to reward Malaysians for taking the initiative to learn more about insurance and the many benefits of having a complete insurance coverage.

Participants also had the opportunity to take up complimentary health screenings as well as experience our Needs Discovery Tool, which provides a quick glance at one's financial situation, while identifying gaps in insurance coverage. Find out more on Needs Discovery in the **Technological Innovation** section of this report.



Responsible Business

V

REWARDING OUR CUSTOMERS AND PARTNERS WITH ALLIANZ ROCKS



Papa Rock Datuk Ramli Sarip gave Allianz customers and partners a night to remember when he brought the house down at the Allianz Rocks Concert held on 23 November 2018. Held at Panggung Anniversari, the concert was an exclusive event organised by Allianz for our customers and partners.

Local band Ruhh opened the show and got the crowd amped up with classic rock hits such as Queen's We Will Rock You and Guns 'n' Roses' November Rain. The band then played one of Ramli's classics Kamelia to huge roars from the crowd before the former frontman of Sweet Charity hit the stage himself to finish the song sending the close to 1,800 strong crowd into a frenzy.

A customer campaign that ran from October to November 2018 gave away 150 pairs of tickets. Tickets were also distributed through Sinar FM's on-air and online contests, as well as to our partners, customers, employees and members of public.



Fully operational under Allianz Life since October 2018, our CHA team operates as the company's MCO which was previously managed by third party administrators

Customer Healthcare Administration

Fully operational under Allianz Life since 16 October 2018, Customer Healthcare Administration ("CHA") is our in-house Third Party Administrator and Managed Care Organisation ("MCO") to deliver hospital cashless arrangements for customers. In the first phase of the operations, CHA's services will focus on in-patient health claims by providing customers with a 24-hour helpline to assist with cashless hospital admission, processing of claims and managing Allianz's panel network of medical providers.

CHA aims to keep customers engaged throughout their healthcare journey using SMS, and promises to deliver a turn-around-time of one hour for hospital guarantee letter requests, eliminate delays by removing third party confidential referrals as well as providing balance limits (lifetime and annual) information to better manage admission deposits.

Another perk of having our very own MCO is the New HealthCare system which will enable us to better support our medical partners, corporate clients and customers in managing claims. CHA currently has a medical provider network of 133 panel hospitals nationwide – 77 independent commercial hospitals and 56 hospitals that are part of some of the largest healthcare groups in the country.

In line with Allianz Group's Renewal Agenda to become digital by default, advancements in technology has enabled us to innovatively meet the rapidly developing preferences of our customers while addressing their pain points through increased simplicity and efficiency. This underlines our organisational transformation projects currently undertaken by both Allianz General and Allianz Life which leverages on digital tools for seamless customer experiences and resource optimisation. Such initiatives are explored further in the sections on **Technological Innovation** and **Business Innovation** respectively.



Regulatory Changes

Insurance regulation is an important component of a fast developing marketplace saturated with innovation and technology. As we progress along a host of transformational journeys, adhering to regulatory expectations provides us with useful parameters to ensure that our customers are continually empowered and protected at the highest standard.

Unsurprisingly, most of the significant regulatory changes in the last year introduced controls relating to technology and our implementation of these are elaborated further in the section on **Cyber Risk**. The deregulation of operating cost control limits and the roll-out of the Balance Scorecard Framework came into effect in 2018 as part of the Life Insurance and Family Takaful Framework. Its implementation is detailed in the sections on **Ethics & Compliance** and **Technological Innovation**.

The International Financial Reporting Standard (“IFRS”) Project is a multi-year project in collaboration with Allianz Group, Insurance Management Asia Pacific (“AZAP”) to enable us to comply with the two new accounting standards, IFRS 9 “Financial Instruments” and IFRS 17 “Insurance Contracts”. The implementation of IFRS will bring significant implications to our data information system, business operations, product and pricing strategy. A steering committee was formed for both Allianz Life and Allianz General with the objective of monitoring the implementation process and ensure a smooth transition towards the new standards.

The e-Payment Incentive Fund (“ePIF”) Framework, which is designed to accelerate the migration towards electronic payments to drive the displacement of cheques and mitigate risk of insurance agents misappropriating premium collection, became effective in 2018. Nonetheless, BNM has provided the industry with a grace period before mandatory implementation of the framework, though payments using an intermediary’s credit card have begun strict enforcement. In the meantime, we continue to identify mechanisms and controls for ePIF implementation.

V

IN THE AGE OF DIGITAL



The proliferation of digital assets and solutions across the market, alongside increasing controversy and awareness on the protection of consumer data following significant breaches in recent years, has introduced a plethora of technology-focused regulation.

These include:

- a. Personal Data Protection Act 2010
- b. European Union General Data Protection Regulation

Our compliance and implementation of these guidelines, along with other controls we have put in place on the topic of technology is shared in the section on **Cyber Risk**.

Responsible Business



Business Innovation

As the world moves steadily towards the Fourth Industrial Revolution – a period of unavoidable and rapid disruption - we recognize the importance in evolving in revolutionary times. We are of the firm belief that our capacity for innovation and agility is crucial to ensure a sustainable business. In Allianz, we continue our journey to expand our digital footprint in the evolving marketplace, and attempt to revamp customer experiences by means of seamless access to our products and services across multiple channels.



This is our second year as the key insurance partner in the SuperCharger FinTech Accelerator Programme alongside MDEC which provides access to a global network of innovation and solutions

COLLABORATION WITHIN A DIGITAL ECOSYSTEM

As of 2018, Allianz General has established forty-one digital distribution partnerships which enable us to enhance our presence in an increasingly digital economy. Our partnership with insurtech company, PolicyStreet, focused on introducing a complete insurance portfolio to online consumers. Four Allianz digital products were offered on PolicyStreet, an online curated platform which aims to provide simple and affordable insurance solutions. Similarly, we have embarked on a partnership with the online marketplace 11street as another step forward in making purchasing insurance even more convenient and seamless by offering three comprehensive products to suit customer needs.

This is our second year as the key insurance partner in the SuperCharger FinTech Accelerator Programme, alongside with the Malaysia Digital Economy Corporation. With over 200 companies from over 32 countries submitting applications, the final ten local and international companies selected for the SuperCharger KL 2018 Cohort represent sub-sectors of financial technology such as InsurTech, Reg Tech, payments, wealth management, artificial intelligence ("AI") and compliance.

This partnership provides us access to a global network of innovators and solutions which allow us to enhance and simplify our processes. The 12-week programme enables local and international scale-ups to quickly establish their operations in Malaysia and expand in the region by engaging multiple key stakeholders to lend their support and expertise.



MEET AIDA

Following the first SuperCharger Malaysia programme in 2017, we were able to partner up with cohort finalist Pand.ai who developed the industry's first customer-facing artificial intelligence chatbot, AIDA.

AIDA, which stands for Artificial Intelligent Digital Assistant, is a robo-customer service representative designed to answer queries related to our modular home insurance product, Allianz Smart Home Cover.

Customers can engage AIDA at any time of the day via the Allianz Smart Home Cover product page on our corporate website for enquiries or to partake in light banter.

AIDA is the first of its kind in Allianz and we expect to expand its capabilities in 2019.

PARTNER API SYSTEM

In Allianz General, we currently have four API-enabled digital products such as Enhanced Road Warrior, Short Term Enhanced Road Warrior, Smart Home Cover and Allianz Travel Care, the highest selling digital product.

In 2018, Allianz life has successfully embarked on the first digital partnership utilising the Partner API platform with RinggitPlus. Through this partnership, we are currently distributing our Allianz i-EssentialCover product which is an affordable life insurance plan that covers death and total permanent disability up to sum assured of RM500,000.

This platform 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 product distribution and broadening our reach.

V

ALLIANZ DIGITAL ACADEMY



16 members of the Allianz General and Life digital teams received certificates of completion for the Hong Kong University ("HKU") FinTech Massive Open Online Course ("MOOC").

The MOOC was a two-month course comprising of six modules that covered topics of Artificial Intelligence, Blockchain, FinTech regulations and the Future of Data Driven Finance.

THE ALLIANZ WAY OF DOING BUSINESS

Sustainability, being a transformational journey, requires embracing a change in our operational and thinking processes as a corporate entity. While technology plays a significant role in our efforts towards innovation-led sustainability in Allianz, it is not through technology alone that we innovate – but also through a transformation in our business decisions and the way we develop insurance solutions to close the protection gap.

These values underline our long-term organisational transformation journeys currently undertaken by both Allianz General and Allianz Life - though leveraging upon digital automation to streamline processes – represent a fundamental shift to realign and segment work processes to optimise productivity and foster an agile workforce and agency force. This year, we have taken significant steps to nurture an economically viable and sustainable foundation for our business model, founded upon quality servicing and comprehensive insurance solutions that can truly address the needs and pain points of our customers.

Responsible Business



The Allianz Special All Risk Solar PV Insurance was launched by YB Yeo Bee Yin, the Minister of Energy, Science, Technology Environment in October 2018

Protection from A to Z

Our modular home insurance product, Allianz Smart Home Cover, is a customisable plan comprised of five components: HouseOwner, HouseHolder, Mortgage Loan Instalment Protection, Home Fix and Landlord Insurance. Presently, only 25% of Malaysian households are insured. Smart Home Cover is designed to overcome the rigidity and high-cost which inhibits homeowners from insuring their homes.

We have partnered with igloohome, a start-up which creates smart digital door locks, to bundle their products with the Smart Home Cover insurance plan as an additional layer of protection for homeowners. Our customers now have the option to upgrade their existing locks to igloohome's digital door locks depending on their preference and security needs. It is perfect for homeowners to short-term rentals and offers them added convenience, security, and peace of mind knowing their homes is well and truly protected.

We have also launched the Allianz Solar PV Insurance, a special all risk solar insurance policy which addresses issues including the lack of support services, high-cost of maintenance and lack of compensation for damages faced by residential and commercial Solar PV owners. The Solar PV Insurance's comprehensive protection covers loss or damage to the Solar PV system due to any malicious damage, theft or lightning as well as damage from aircraft aerial devices or articles dropped, fire, explosion, earthquake and any other natural disasters, flood, landslides, burst water pipes and overflowing water tanks, and more. More information on this product can be found in the **Integrating Sustainability** section of this report.

Another example of our commitment to comprehensive protection, our newly launched Allianz Prime Care+ is the first Critical Illness policy in the market to cover more than 150 critical illnesses, which include Kawasaki Disease with Heart Complications, Severe Rheumatoid Arthritis, Severe Ulcerative Colitis and Early Melanoma.

Prime Care+ offers a living benefit in which a policyholder will be provided with a lump sum payment upon claims which can act as an income replacement during and post-recovery. This is to ensure our customer's quality of life, and assist with the cost of long-term care and financial commitments. The policy also offers additional payout under the Diabetes Recovery Benefit, Cancer Recovery Benefit, and Catastrophic Critical Illness Coverage.

Allianz Prime Care+ complements our existing portfolio of health insurance solutions designed to extend protection to those in need of it the most and would otherwise face limited insurance coverage. This includes our Allianz Diabetic Essential Plan, the first standalone medical plan designed for those with Type-2 Diabetes, which also empowers our policyholders to manage their conditions through incentives such as extended policy coverage and discounted premiums.

Another recent launch is the Allianz i-Cancer Care, a comprehensive plan that provides a financial buffer for those diagnosed with Early Stage or Advanced Stage cancer. There are three plans designed to suit different levels of cancer protection needs as well as a lump sum health care allowance upon diagnosis.

Another initiative as part of our commitment to being digital centric and service-oriented is our partnership with telehealth provider, DoctorOnCall, to provide convenient healthcare solutions to our corporate partners. Our Employee Benefits service is the first in the market to offer this digital healthcare proposition. DoctorOnCall provides convenient access for Allianz corporate partners to qualified registered doctors through text chat, phone call or video call.

As Malaysia's first telehealth provider, DoctorOnCall's services also extend to include prescriptions, medical referrals, and nationwide medication delivery with same-day delivery service currently offered in the Klang Valley, Penang, and Johor Bahru. These services are also expected to result in improved and cost-effective management of chronic illnesses such as diabetes, cholesterol or hypertension which require constant monitoring and continuous assessment of prescriptions for long-term medication.



Technological Innovation

Technological disruption has transitioned beyond inevitability into a lived reality. The pace of technological innovation, where novelty is very quickly established into a 'new normal', has motivated the enhancement of our digital assets and capabilities as shared in this section. We are still on a learning curve in the area of technological innovation, but our exposure has increased significantly since we commenced our efforts towards becoming digital by default in 2015 and continue to explore new solutions as opportunities in the technological sphere grow.

ALLIANZ ONLINE

As part of our efforts to provide seamless access to our customers, several of our offerings are made available on Allianz Online. These products are developed using Open Application Programming Interface ("API") technology which also allows for us to integrate with our digital partners as shared in the section on **Business Innovation**. This year, over 11,000 policies were purchased through this platform, marking an exponential leap from the year before.

Our Allianz General products available on Allianz Online include Enhanced Road Warrior, Smart Home Cover, Allianz Flight Care and Allianz Travel Care. Customers are also able to request e-quotations for certain products and will then be serviced by an agent at the point of purchase. Three Allianz Life products are fully purchasable through Allianz Online; these are Allianz i-Essential Cover, Allianz i-Hospital Cash and the newly launched Allianz i-Cancer Care which extends comprehensive coverage for early stage or advanced stage cancer. More information on Allianz i-Cancer Care can be found in the section on **Business Innovation**.

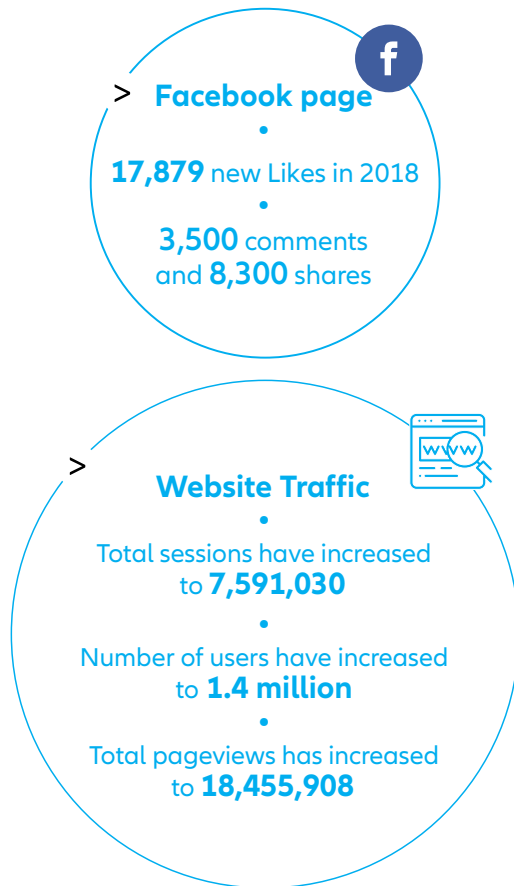
We have also improved our tracking tools in the last year, which allows us to more accurately measure engagements on our corporate site, Allianz Online as well as our social media touch points. We are pleased to note increased engagement by our agents and business partners, indicating that our corporate site and Allianz Online are becoming integral sales tools.

We have begun using unique links for use by our agents and partners; this allows them to post their unique link on any social media platform or website which will lead traffic to Allianz Online and thus enable customers to self-purchase online while ensuring that the commission and production is still allocated to the agent.

We have also improved our tracking tools in last year, which allows us to more accurately measure engagements on our corporate site, Allianz Online and social media channels.



Responsible Business



TECHNICAL EXCELLENCE THROUGH DIGITAL TOOLS

Our Allianz A to Z app provides customers with easy access to information on their policies, including medical cards, search for panel clinics and hospitals as well as submission of hospital guarantee letter requests. Policyholders may also use the platform to submit their medical claims (“eClaims”), with receipts being necessary only for claims above RM300. A total of 2,654 claims were submitted through the app in 2018. The A to Z app has increased to 8,680 registered users, particularly among our Employee Benefit customers.

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. To ease usage for our customers, an Allianz A to Z app tutorial video is publicly available on YouTube.

The Allianz A to Z App can also be used to call Roadside Assistance by relevant Allianz General policy holders, where they may also check on the status of the Roadside Assistance service as well as their motor policy’s No Claims Discount, and motor claims.

V

AGENCY TRANSFORMATION JOURNEY: IMAGINE APP



We continue to enhance our Imagine app to become a more extensive and overarching single platform tool for pre and post-sales servicing. By equipping them with the right digital tools, we are able to further professionalise our agency force and ease their sales journey. As of December 2018, eSubmission usage by our agents hit 95%, translating to significant reduction in paper and operational costs.

The Needs Discovery feature - which is an inbuilt intuitive analysis tool to identify customer’s needs and their insurance gaps – utilises gamification and UI/UX for a more interactive and user-friendly experience. Needs Discovery generates a summary gap analysis to highlight a customer’s existing policies and recommend products they may purchase to ensure they are adequately protected.

By focusing on needs identification, the intermediary process is made more transparent. Another additional feature is the embedding of both Allianz Life and Allianz General products in the needs identification process. This allows a complete snapshot of the customer’s insurance gaps, and seamless access to our products across both subsidiaries.





V

AiRIS FOR RISK SURVEYORS

The Allianz Risk Assessment Information System (“AiRIS”) was built as a property risk survey tool for Allianz General. This was initiated in 2015 and has become fully operational for our branches and head office, assisting decision makers to efficiently decide appropriate terms for property insurance business proposition.

AiRIS was designed in an effort to go paperless, where the cost of printing and our environmental impact is minimised. The standardised system is accessible anywhere and anytime to assist surveyors via structured and guided questions, while also enabling quicker submissions.

AiRIS is a user-friendly system, requiring only 4-steps for survey submission. The method begins with identifying cases and accessing the site survey, followed by performing the survey via a questionnaire and submission.



AiRIS

Last year, Allianz Life ventured into underwriting automation through the Expert Underwriting System (“EUW”) which utilises a pre-defined rule engine to enable auto-approval of non-complex medical cases alongside simpler and less questions to allow for faster underwriting decisions and better competitive edge for our agency force through shorter sale cycles. As of 2018, 60% of our cases are automated through EUW allowing our underwriters to focus on more complex cases.

We have enhanced our e-Policy project to be available for both Allianz Life and Allianz General policyholders; which has reduced customers TAT by delivering policy contracts, statements and letters to policyholders through email. It has contributed significantly to a reduction in paper usage and printing costs. Additionally, our customer portal provides convenience for customers to access, download and print their documents at any time.

Following a pilot test involving 60 agent leaders and agents in August 2018, we have successfully operationalised our Agent Service Request System (“SRS”). SRS is a new sales and service platform – which is consolidated within our Imagine app sales tool and integrated into our Customer Management (“CM”) system – that acts as a primary communication channel to escalate requests, enquiries and feedback directly to subject matter experts with real time response. This is an effort towards an accessible, simple and user friendly experience for our agents to grow their productivity while simultaneously reducing workloads at our branches for simple requests such as changing addresses.

Another digital transformation initiative is the launching of our new Recruiting Monitoring Form Digital (“RMFD”) app which acts as a scheduling assistant and rolodex for our agents that is available around the clock. RMFD is a web-based application accessible through all devices, which provides our agents with a flexible platform for fast, easy and frictionless management of recruitment initiatives. The app features an agent profile page, contact list to schedule meetings, a recruitment report to gauge a prospect’s receptiveness and a progress chart.

Responsible Business



Ethics & Compliance

Ethics and Compliance retains importance among our key stakeholders this year, we believe this is attributed in part to a steady increase in awareness on consumer protection and the introduction of several new guidelines in light of increased digital exposure. This topic is explored further in the sections on **Regulatory Changes, Quality of Risk Management** and **Cyber Risk**. We continue to abide by the most stringent standards and enforce strict policies in the areas of ethics, transparency and accountability. Our existing internal controls, encompassing policies and guidelines are detailed in **Table 5**.

RESPONSIBLE SALES CONDUCT

As an intermediary-based business, we place utmost importance in ensuring an ethical and professional agency force which underlines our Agency Transformation Journey. The Sales Compliance Disciplinary Policy defines instances of misconduct and corresponding disciplinary actions to be instituted. Any instance of misconduct by our agents is deliberated and meted out by the respective Ethics and Compliance Committees under our life and general subsidiaries. All intermediaries observe a minimum standard of conduct as set out in the Sales Policy and Sales Agent Code.

The Balanced Scorecard ("BSC") – which forms part of the Life Framework – came into effect in 2018. The BSC aims to professionalise intermediary sales conduct by redefining the calculation of an agent's remuneration according to their performance in 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 BSC shifts the focus of an agent's performance beyond the quantitative, by utilising qualitative indicators across five dimensions to measure an agent's quality of service. One dimension is Customer Fact Finding which aims to nurture needs-based selling; this feature is embedded within our Imagine Application, a sales tool discussed in greater detail in the **Technological Innovation** section.

As part of our Agency Transformation Journey, we are continually developing and enhancing our sales tools, while instilling customer-centric ethical selling through tailored on-boarding programmes and training. As part of our wider effort to continually professionalise and improve the competency of our agency

force, we will soon embark on providing online learning and development opportunities to ease and facilitate an agent's access to training. By harnessing digital tools, we hope to enhance their learning experience by enabling collaborative learning to ensure they are motivated and well-supported during and after a training session. The online learning platform will also ease registration and progress tracking for our agents.

ATTESTATION AND AWARENESS TRAINING FOR EMPLOYEES

All employees are required 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.

These areas underline our compulsory awareness trainings as part of each employee's annual e-Declaration and targeted training for high risk employees. Campaigns on specific topics are annually conducted to ensure employee awareness on potential risks.

Examples of awareness training and campaigns conducted throughout 2018 include:

- Annual training session on Anti-Fraud and Anti-Corruption Training for High Risk Employees on 27 November 2018
- Compliance Awareness Week 2018 held from 13 to 20 December 2018
- International Fraud Awareness Week 2018 held from 11 to 17 November 2018
- International Anti-Corruption Day on 9 December 2018

Table 5: Policies, Guidelines and Codes of Ethics in Allianz

Policies/Guidelines/Codes	Scope	Applicability
Allianz Group's Code of Conduct for Business Ethics and Compliance	<p>Sets out the minimum standards of conduct for all Allianz employees worldwide.</p> <p>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.</p>	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.	<p>Senior Management</p> <p>Employees responsible for finance, control and accounting functions</p>
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's Anti-Fraud Policy	Defines fraud events and their follow-up actions.	All Employees
Allianz Group's 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. This procedure assists in managing the selection of organisations that we wish to support and to monitor such relationships over time.	Vendors
Allianz Non-Profit & Non-Governmental Integrity Screening		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's 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
Allianz Antitrust Standard	Outlines the core set of principles and measures to ensure Antitrust compliance in all Allianz companies.	All Employees
Allianz Antitrust Code	Forms part of the Allianz Antitrust Standard and sets out four Rules of Conduct when dealing with competitors, customers and business partners.	All Employees
Bank Negara Malaysia's Guideline on Employee Screening	Aims to promote an ethical workforce within the financial sector by strengthening the screening practices for recruitments and improve conduct histories of prospective employees for informed hiring decisions	Hiring of employees; and engagement of commissioned representatives



Quality of Risk Management

Risk management is at the core of our business as insurers. While our industry is highly dependent on historical data, we are attentive to the emerging risks and opportunities which continually shape our operational landscape and the long-term sustainability of our business. Our risk management system is outlined within the Allianz Risk Management Framework Manual, which is compliant to all relevant policies and guidelines from Bank Negara Malaysia (“BNM”).

We adopt 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, who are responsible for driving the overall risk management framework of Allianz.

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. More information on our key internal control processes can be found in the **Statement on Risk Management and Internal Control** of our Annual Report.

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:

- a. The ability to compare all types of operational risks using a single methodology, which supports intelligent decision making for the allocation of limited resources toward Internal Control System (ICS) improvements;
- b. 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
- c. Encouragement of cross-functional collaboration between the second line 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.



ALLIANZ STANDARD FOR PROTECTION & RESILIENCE

The Allianz Standard for Protection and Resilience came into effect in January 2018 and defines the framework, principles and procedures on establishing, implementing and maintaining a holistic approach to Protection & Resilience within Allianz Group which has been localised for adoption and integrated into our processes. The new integrated framework is based on unified oversight, integrated methodologies, reporting and dedicated expert functions for the nine Protection and Resilience domains: Business Continuity Management (“BCM”), IT Service Continuity Management, Protective Security Management, Global Incident Management, Crisis Management, Outsourcing, Information Security, Privacy & Data Protection, and Information & Document Management. These domains are intrinsically connected 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.

EMBEDDING RISK AWARENESS IN OUR WORKFORCE

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

In 2018, our BCM team coordinated the following exercises:

- a. Annual Business Continuity Plan (“BCP”) exercise and a biannual simulation of our Disaster Recovery Plan which aims to familiarise key personnel on recovery procedures of critical business processes.
- b. A BCP test for our Inbound Call Centre was conducted on 31 March 2018 to simulate call diversion to an alternate site.
- c. A Business Continuity Awareness programme was held from 9 to 30 April 2018 with several programmes aimed to create awareness among employees on business continuity management.
- d. A BCM Awareness learning module was made available company-wide via our employee e-Learning portal.
- e. A desktop exercise was conducted for Allianz General and Allianz Life branch managers.
- f. A half-day Crisis Management Training session was conducted for the BCM core team and selected coordinators. This session covered crisis management and its related support functions, as well as developing the capability for risk management and fostering a positive involvement in execution of crises management.
- g. A company-wide call tree exercise was initiated on 18 October 2018 for all employees at the Allianz Head Office and Plaza Sentral office.

Risk management awareness forms part of our existing on-boarding programme for new employees. A Risk Awareness on Retail Risk programme was conducted through our employee e-Learning portal in August 2018, with all employees being required to participate in a quiz to test their understanding and knowledge upon completion of the learning session.

Responsible Business



Cyber Risks

Cyber-attacks are an ever present and growing risk to an increasingly connected society. This is apparent to our stakeholders, as indicated by its high rank and first-time entry as a Top 10 sustainability matter. It is predicted that by 2021 the annual global cost of cybercrime will be in excess of \$6 trillion and it is considered “one of the biggest challenges that humanity will face in the next two decades³”. Widespread exposure grows as consumer demand for Internet of Things-enabled devices persists; with particular consequence to the insurance industry will be the increased risk exposures relating to cyber security in the automotive industry and road safety through the inevitable mass market introduction of autonomous vehicles in the not-so-distant future.

We are alert to the increased sophistication of cyber-attacks and the growing access for individuals around the globe to both internet connection and technology. Of particular concern is the proliferation of cyber-attack tools available on the unregulated dark web, making it possible for a regular individual to gain access to poorly protected systems. Thus it is important, more than ever for businesses to move away from legacy systems that provide minimal protection and a host of attack vectors that cyber criminals can exploit.

IT SECURITY AND DATA MANAGEMENT

We continue to invest substantially in cyber risk mitigation; this includes Distributed Denial of Service 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. Following annual IT penetration tests and round-the-clock monitoring, we did not face any significant incidents or breaches in 2018.

By continually ensuring the alignment of our IT security standards with Allianz Group, we are able to incorporate the most stringent practices and standards of cyber security and data protection. This includes the successful implementation of our data encryption system across our digital assets and implementation of a privilege access management solution to manage IT administrator’s privilege access and secure Allianz’s IT system from identity theft and data leakage, as well as two-factor authentication (2FA) implemented when remote users are accessing Allianz’s internal system from the internet.

We are in stringent compliance with the Personal Data Protection Act 2010 (“PDPA”). Additionally, Allianz Life and Allianz General are also bound to follow the Code of Practice on Personal Data Protection for the Insurance and Takaful Industries in Malaysia that is drafted pursuant to PDPA.

The European Union General Data Protection Regulation (“GDPR”) came into force in May 2018 to protect the information and privacy of European citizens. Due to the GDPR’s extraterritorial nature, all operating entities under the Allianz Group are bound to the regulation. The three-year Allianz Privacy Renewal Programme (“APRP”) which commenced in 2016, was a global regulatory change programme that comprised more than eighty sub-projects spread over 700 companies across the Allianz Group.

³ <https://www.herjavecgroup.com/wp-content/uploads/2018/12/CV-HG-2019-Official-Annual-Cybercrime-Report.pdf>



Following this, the Allianz Group received approval of its Binding Corporate Rules (“BCR”), which allows multinational corporations to make intra-organisational transfers of personal data across borders in strict compliance with EU Data Protection Law. Obtaining this approval entailed European data protection authorities scrutinising the internal governance setup and implementation of the BCRs, as well as how the Group embeds requirements into organisational processes, including training and audit programmes.

Allianz Group has its own privacy standard, the Allianz Privacy Standard, which sets out the global minimum requirements applicable within the Allianz Group for the processing and transfer of personal data across the Allianz Group which includes the duty to conform to the GDPR as well as local privacy laws.

We are currently conducting gap analysis in preparation for the upcoming implementation of BNM’s Exposure Draft on Risk Management in Technology (“RMiT”) guideline which is expected to come into effect in June 2019. RMiT is part of a wider effort to enhance technology risk management programmes and capabilities as the financial services sector becomes increasingly saturated with digitalisation and product innovation.

DEVELOPING A WORKFORCE ATTENTIVE TO CYBER RISKS

The methods used by cyber criminals are evolving and increasingly “target the human layer - the weakest link in cyber defense - through increased ransomware, phishing and social engineering attacks as a path to entry⁴”. As such, we are diligent in equipping our workforce with knowledge on mitigating and effectively responding to cyber risks.

Cyber Risk forms part of our BCM under the Allianz Standard for Protection & Resilience. Based upon a blueprint cascaded from Allianz Group, we have localised six cyber-related crises scenarios and plans relevant to our operating environment in Malaysia. These include among others, a Crisis Scenario Plan (“CSP”) for Ransomware Attack, CSP for Leak of Personally Identifiable Information and CSP for Pandemic. As part of our BCM Awareness Month in 2018, highlighted earlier in the **Quality of Risk Management** section, a cyber-attack scenario was simulated involving our Incident Management Team. This is the second cyber-related simulation since an exercise for our C-Suite executives was conducted in 2016. The Crisis Management training session also incorporated cyber risk within its scope.

A mandatory e-Training programme on the topic of EU GDPR was rolled out company-wide in October 2018 to promote understanding on the changes introduced by GDPR among our workforce. The online training programme was comprised of six modules that included interactive audio and video material.

A ‘Cyber security & you’ talk was also held on 29 November 2018 to provide employees a better understanding of cyber security threats, trends and regulations in Malaysia. The talk was conducted by Wong & Partners, a member firm of Baker and McKenzie International. One of our security awareness programmes includes the Security Arena event which was successfully held in our head office. It is a compulsory educational session where employees are divided into groups to participate in a one-hour interactive session to strengthen their awareness and responsiveness to cyber risks such as phishing and information classification.

A phishing simulation exercise is performed quarterly to continually enhance the awareness level of employee on cyber-attack via emails. This exercise involves simulation emails with fake website links being sent to employees, where an educational message will display if an employee clicks on the fake website link. We continue to celebrate International Privacy Day on 28 January 2018, which provides us a platform to bring awareness on privacy rights and highlight the various regulatory guidelines and data protection policies to our workforce nationwide.

⁴ <https://www.accenture.com/us-en/insights/security/cost-cybercrime-study>

Employer of Choice

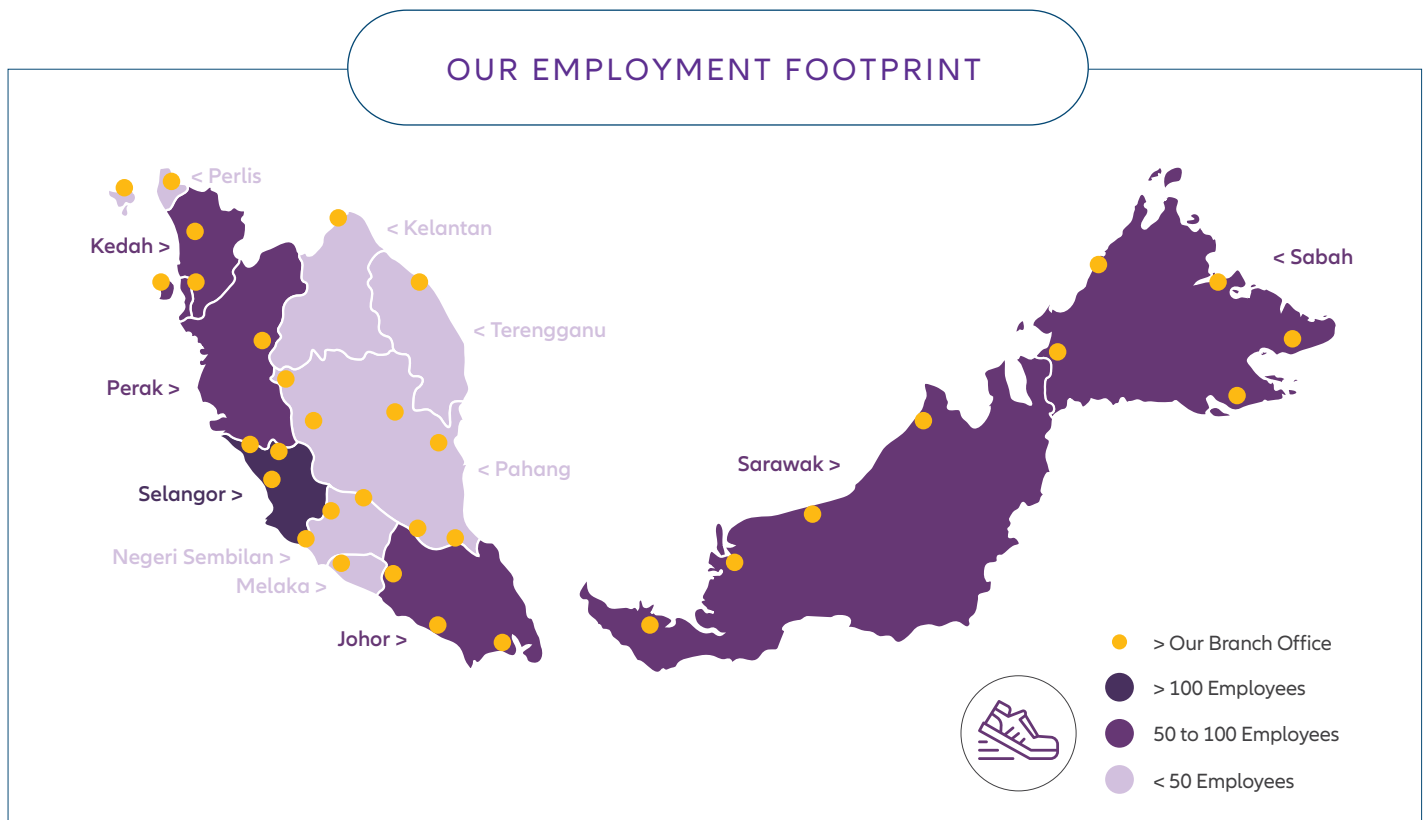


Talent Attraction and Retention

A capable and skilled workforce is an important driver of our business strategy as we embark on transformational journeys across our organisation. While automation becomes more relevant to our own operations, we view this as an opportunity for our workforce to acquire new and different skillsets as they will be increasingly able to offload manual-based tasks in place for more complex areas of business.

As of 2018, our employment footprint stretched across 13 states via our 33 branches located nationwide. Our workforce totals over 1,800 employees as indicated in **Diagram 5**, encompassing full time and part-time employment, as well as internship opportunities for young talent which totalled 111 this year alone.

Diagram 5: Our Employment Footprint



LISTENING TO OUR EMPLOYEES

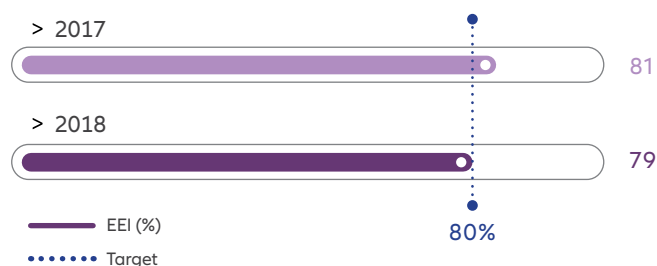
Our annually conducted Allianz Engagement Survey (“AES”) allows us to gauge employee experience in the areas of workplace environment, job satisfaction as well as management and leadership. We retain a high participation rate in the AES, with 94% of Allianz employees participating in 2018. This exercise is extended to all our permanent employees who have been in the company for at least six months, providing us valuable insight into areas of potential improvement and the development of necessary remedial measures. The AES results serve as a key indicator of our employee engagement, leadership culture and workplace wellness which are measured as part of overall company performance.



The Employee Engagement Index (“EEI”) is a leading indicator of employee satisfaction, loyalty, advocacy and pride towards the company. As indicated in **Diagram 6**, the EEI recorded a slight drop to 79% in 2018. This can be attributed in part to the workload and transitional shifts characteristic of organisations undergoing transformational change. Nonetheless, we are confident that this period of future-proofing will ease into a long-term improvement in the working experience of our workforce and endeavour to address the areas of employee concerns.

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

Diagram 6: Employee Engagement Index



AWARDING CONTINUED SERVICE

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. A total of 130 employees received Loyalty Awards in 2018, with the average tenure being 9 years.

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 designed to provide structured and focused development. The opportunity to pursue fast-tracked career development is made available to high potential employees who display committed performance.

V

ENGAGING THE TALENTS OF THE FUTURE



As part of our efforts to engage and attract talent, we continue to participate in career talks and fairs held in various tertiary institutions. In March 2018, we conducted in a career and enrichment talk in UCSI University and UTAR Kampar led by Allianz Life’s Head of Strategic Development who spoke on effective leadership and communication. We also participated in Universiti Tunku Abdul Rahman’s career fair at their Sungai Long campus, where students were able to explore career opportunities in Allianz.

Three careers talks were also conducted at New Era Institute of Vocational & Continuing Education, New Era University College and TAR University College throughout October 2018. The talks were again led by Allianz Life’s Head of Strategic Development along with the Head of Learning and Development, covering the topics of customer service and the 7 Habits of Highly Effective People.

COMMITMENT TO LIFELONG LEARNING

In the highly dynamic environment of a fourth industrial revolution, functions are continually evolving in response to changing consumer behaviours and technological disruption. We aim to nurture an adaptive and highly-skilled workforce by equipping them with the necessary knowledge and skills through continual learning and development opportunities. Over RM3 million was invested in employee learning and development in 2018.

We also offer sponsorship of examination and professional membership fees, examination leave, in-house training programmes, and the availability of education loans to encourage our workforce to pursue professional qualifications and other training. In 2018, 770 of our employees attended at least one training session.

This year, our efforts in this area received recognition, with Allianz Life being awarded the Life Office Management Association’s (“LOMA”) Excellence in Education Award and the Educational Achievement Award in the Asia Pacific Regional Category. The awards reflect Allianz Life’s exceptional completion rate, high enrolment and ongoing support that proactively utilises LOMA’s Education and Training programmes. As an added incentive, Allianz employees whom complete certain levels of LOMA courses receive a cash reward. In 2018, 55 employees received LOMA certifications.

Employer of Choice

ALLIANZU MALAYSIA

Our primary learning and development platform, Allianz Academy, was re-launched as AllianzU Malaysia in February 2018 as part of Allianz Group's corporate university. This platform serves to drive the professional growth and personal development 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 7**. In 2018, the Leadership Series for Executives and Managers 1 received positive feedback. Moving forward, we are enhancing the Leadership Series for Senior Management with the topic of driving and leading change.

Diagram 7: AllianzU Structure and Offered Programmes



STRATEGY CAMPUS

Via AMI Campus and selected Senior Management and targeted audiences



LEADERSHIP ACADEMY

Leadership Series for Executives
The Manager's Toolkit
Leadership Series for Senior Executives
Leadership Series for Managers 2
Leadership Series for Managers 1
Leadership Series for Senior Managers



FUNCTIONAL ACADEMIES

Malaysia Non-Life Academy

- Fundamental of General Insurance
- Technical Certification Programme
- Professional Commercial Underwriters Certification (PCUC)

Malaysia Life Academy

Malaysia Non-Life Academy

- Agents Segmentation Training
- Motor Portfolio Analysis

Malaysia Non-Life Academy

- Customer Service Certification Programme

Malaysia Non-Life Academy

- LinkedIn Learning



PERSONAL & PROFESSIONAL SKILLS

Takeoff@Allianz
Allianz Malaysia Toastmaster
Allianz Presentation Excellence (APEX)

LINKEDIN LEARNING

Digital learning enables our employees to learn anytime, anywhere and with any device. This year, we introduced LinkedIn Learning to provide a wide range of quality and unlimited learning offerings for employees. Through this, employees have access to over 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.



FINTECH-INSURTECH EDUCATION

A mass online syllabus to educate our employees on the emerging FinTech-InsurTech industry was rolled out in 2018 to employees from our digital transformation teams from Allianz Life and Allianz General. Employees who completed the module received certification in collaboration with Hong Kong University and Asia's leading FinTech accelerator SuperCharger.

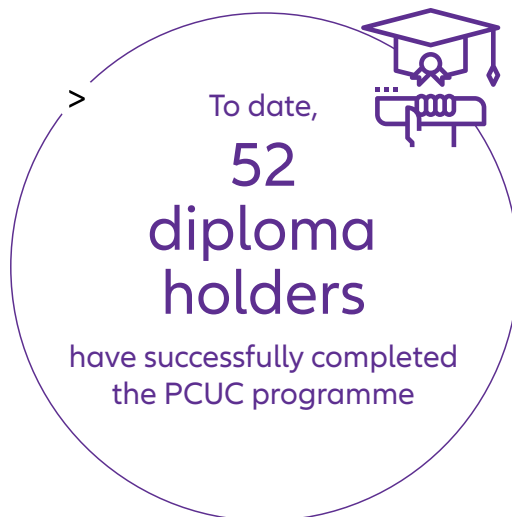
Twenty of our senior management team completed the FinTech-InsurTech & Innovation Training, the first masterclass FinTech training series for Allianz, certified by the Singapore Management University in 2018.



PROFESSIONAL COMMERCIAL UNDERWRITERS CERTIFICATION PROGRAMME

This was the fourth year of our in-house Professional Commercial Underwriters Certification ("PCUC") programme, the only in-house technical programme certified by the Malaysian Insurance Institute ("MII"). We remain the only insurer in Malaysia to have our own technical qualification programme and to have an Memorandum of Understanding with MII. This enables PCUC graduates to fast-track their way towards a Diploma with MII ("DMII").

Designed with industry practices in mind and aligned with Allianz Group's Standard in Underwriting Guidelines, our modules are now accredited by MII and incorporated into the DMII programme. In 2018, Allianz General's Chief Underwriting Officer and a Technical Trainer were awarded the Fellowship of the Malaysian Institute of Insurance ("FMII"). To date, 52 diploma holders have successfully completed the programme.



Allianz Life's Deputy Chief Sales conducted an Ask Anything session on the importance of life insurance in March 2018

ASK ANYTHING SESSIONS

An Ask Anything session was conducted in March 2018 by Allianz Life's Deputy Chief Sales Officer to highlight the importance and benefits of subscribing to life insurance. These educational and interactive sessions are organised with the intention of providing a platform for employees to engage directly with our internal subject matter experts on topics relevant to our business.

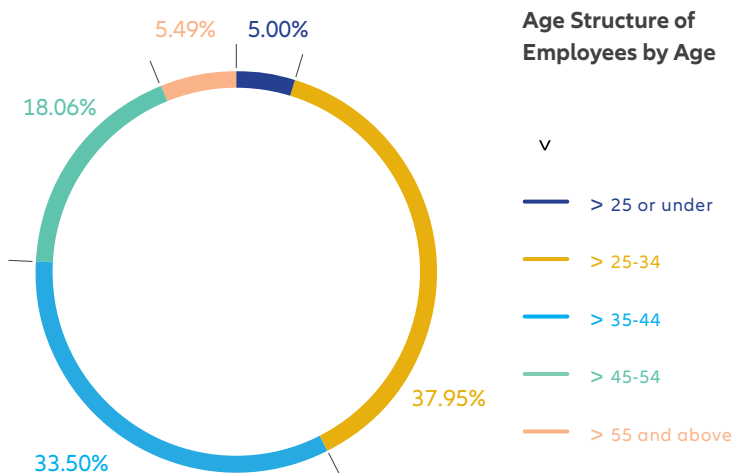
Employer of Choice



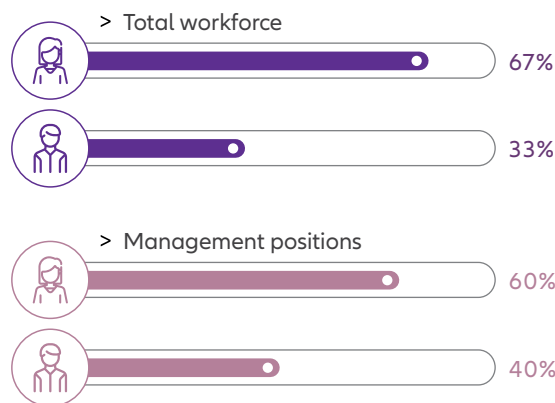
Fair Employment Practices

We align our employment practices with the Allianz Group Renewal Agenda and the UN Sustainable Development Goals in order to continuously foster a highly diverse and inclusive working environment. 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.

Diagram 8: Employee Profile



Gender Distribution in Allianz



INCLUSIVE MERITOCRACY

We have entrenched principles of non-discrimination throughout our hiring policies and employee development, which is based upon an individual’s talent, experience and behavioural attributes. As indicated in **Diagram 8**, we are a multigenerational and diverse workforce, including our employment of Persons with Disabilities in our head office totalling 23 employees as of 2018. The year also introduced the appointment of our first female Chairman of the Board and two female directors, as part of our commitment to diversify our board’s gender composition.

Our progress toward Inclusive Meritocracy is measured through the Inclusive Meritocracy Index (“IMIX”) during our annual AES. IMIX encompasses dimensions of leadership, communication, performance and corporate culture. In 2018, we achieved an IMIX of 81%.

PERFORMANCE MANAGEMENT FRAMEWORK

We strive to promote a culture of high performance through our performance management framework. At the corporate level, key objectives are set and measured. At the individual level, every employee is expected to deliver on the “WHAT” and “HOW” targets. “WHAT” targets refer to key performance indicators related to one’s role and are expected to be delivered throughout the year. The “HOW” component refers to desired behaviours as outlined by our Four People’s Attributes of Customer & Market Excellence, Trust, Entrepreneurship and Collaborative Leadership. These components also guide our recruitment process, target-setting, evaluations, and employee development.

Regular and open performance feedback is key to driving a high performance culture. All employees are encouraged to engage in regular one-to-one feedback sessions in addition to the mid-year and year-end performance reviews.

We have also introduced a multi-rater feedback system for key managers. who will receive feedback on their leadership behaviour from their own managers, direct reports and peers from other departments and functions.



EMPLOYEE HEALTH, SAFETY & WELL-BEING

The Work-Well Index (“WWi”) dimension of our AES measures the stress level and work-related strain of our employees. In 2018, we retained a result of 74%. We are cognizant of the need to adapt work cultures to the evolving functions and circumstances of our employees. Following a company-wide feedback survey, we have recently introduced various Flexible Work Arrangements, including enhanced FlexiHours and an option to Work from Home. These initiatives aim to facilitate healthy work-life balance and accommodate to the different needs of our employees. We have also extended an optional Corporate Casual dress code, which was previously limited to Wednesdays only. These initiatives have returned positive results and we are confident that they, alongside our other Work-Life and Health Management activities, will contribute to our employees’ long-term wellbeing and a positive working environment.

ORGANISATIONAL SAFETY AND HEALTH ACT COMMITTEE

The Organisational Safety and Health Act (“OSHA”) Committee oversees the safety and wellbeing 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.

V

EMBRACING DIVERSITY



We embrace social inclusion in many ways, since 2015 we have provided employment opportunities and integrated Persons with Disabilities (“PWDs”) in the Allianz workforce. We currently have 23 PWD employees in our head office across various departments and functions, a reflection of our commitment to equalise opportunities for all segments of society.

23 Employees



We provide employment opportunities and integrate PWDs in the Allianz workforce since 2015

V

MALYSIAN HISTORY ON WHEELS



A ‘Know Your Country Better’ contest was held as part of our annual Malaysia Day celebrations, which provided an opportunity for our fifty-eight employees to earn a ticket to a 6-hour hop-on hop-off excursion, led by Allianz CEO Zakri Khir, around Kuala Lumpur’s historical landmarks such as Parliament Malaysia, the Kuala Lumpur Railway Station and Dataran Merdeka.

Besides the tour, employees also participated in a host of activities including a ‘Sayangi Malaysiaku’ branch decoration contest and hidden talent (sketching) contest and also received a goodie bag with childhood treats. Find out more on our efforts to advocate Malaysian unity in the **Integrating Sustainability** section of this report.



Employer of Choice

WORK-LIFE AND HEALTH MANAGEMENT INITIATIVES



Employees participated in Let's Sembang sessions held throughout the year

Sessions of our informal conversational platform called "Let's Sembang" were held throughout the year. Topics discussed during Let's Sembang in 2018 included tips for solo-travelling as well as an introduction to board games held over lunch. Sports and recreational activities are regularly held to provide employees with convenient options, including Zumba, Kickboxing, Badminton, Yoga, Football and Bowling. Aside from after-work sports and recreation, we continued to host "How-To" sessions which was introduced as a platform for participants to acquire fun and creative skills. In 2018, a How-To session was organised to usher in the Lunar New Year; participants had the opportunity to learn to make Origami dogs and Koi fish from angpao packets, together with lanterns made from recycled toilet paper rolls and angpao pockets.



Employee participants learnt to make Origami dogs and Koi fish from angpao packets during a How-To session held in 2018

The Allianz Health and Wellness Day was conducted at our head office and central region branches, which included massage sessions by masseurs from the Malaysian Association for the Blind. Other activities included a session on Aikido safety tips, stress management games, an eye check and physiotherapy consultation, a health talk by medical practitioners and a booth that promoted healthy eating.

We have also partnered with telehealth provider DoctorOnCall ("DOC") as part of our Allianz employee benefits, where consultations with qualified registered doctors can be done through text chat, phone call or video call. DOC's services also extend to include prescriptions, medical referrals and nationwide medication delivery with same-day delivery service currently offered in the Klang Valley, Penang and Johor Bahru.

Another effort to promote work-life balance was the launching of the 20-week Springday Wellbeing Programme that ran from April to September 2018. The gamified programme, tracked through the Springday app, aimed to improve the overall wellbeing of employees through a healthier and active lifestyle incentivised with weekly rewards. It also included a 4-week Activity Team Challenge where employees competed in teams to achieve the highest step record.

Our employees also enjoy access to global events, such as the Allianz Sports 2018 held once every four years. In 2018, the event was held at Olympia Park in Munich, where eight employees had the opportunity to compete against representatives from other Allianz OEs around the world in Golf, Table Tennis, Track & Field, Chess and Badminton. Two representatives from Allianz managed to secure the Gold and Bronze medal, for the Golf Individual Tournament and Track & Field respectively.



Employees represented Allianz Malaysia during the group-wide Allianz Sport 2018 held in Olympia Park, Munich

Moving forward in 2019, we will expand our Work-Well initiatives to include mental wellness awareness and talks.



CONTRIBUTING TO SOCIETY THROUGH WORK

Corporate responsibility (“CR”) allows us to create impact and support underserved communities, while also providing a platform for our employees and agency force to contribute their time and resources towards social good. Our CR initiatives and regular volunteering opportunities allow us to inculcate the values of empathy, societal awareness and collective responsibility across our organisation, which we believe contributes to the overall personal and professional development of our workforce. Our employees and agents dedicated approximately 3,474 volunteering hours in 2018 alone. This is detailed further in the **Integrating Sustainability** section of this report.

Over 2,000 of our Life Agents from more than 100 agencies nationwide joined the fifth edition of the annual Allianz Charity Day held on 5 May 2018. Our agency force participated in various charitable activities, including hosting blood donation drives and visits to orphanages, hospitals and old folks’ homes, as well as donating necessities such as non-perishable food and toiletries.



Allianz Life’s Deputy Chief Sales Officer joined agents for a visit to the Sau Seng Lum Dialysis & Stroke Rehabilitation Centre



CELEBRATING INTERNATIONAL WOMEN’S DAY 2018



Allianz celebrated International Women’s Day through a Netball Tournament held at YMCA Kuala Lumpur, with 40 female employees from our head office and Klang Valley branches participating. The aim of the tournament was not only to empower women through sports but also to encourage them to let their stories be heard.

Leading up to the day, female employees were invited to share their real-life stories of empowerment, struggles and triumphs on our social media channels.



Responsible Corporate Citizen



Integrating Sustainability

This is the first year following our consolidation of two previously separate sustainability matters, Integrating Sustainability and Community Development. This decision was made to demonstrate our commitment to truly integrate ESG into our core business and corporate responsibility considerations. It is also in recognition of the increasingly interconnected risks and opportunities that we must consider as an insurer and responsible corporate citizen.

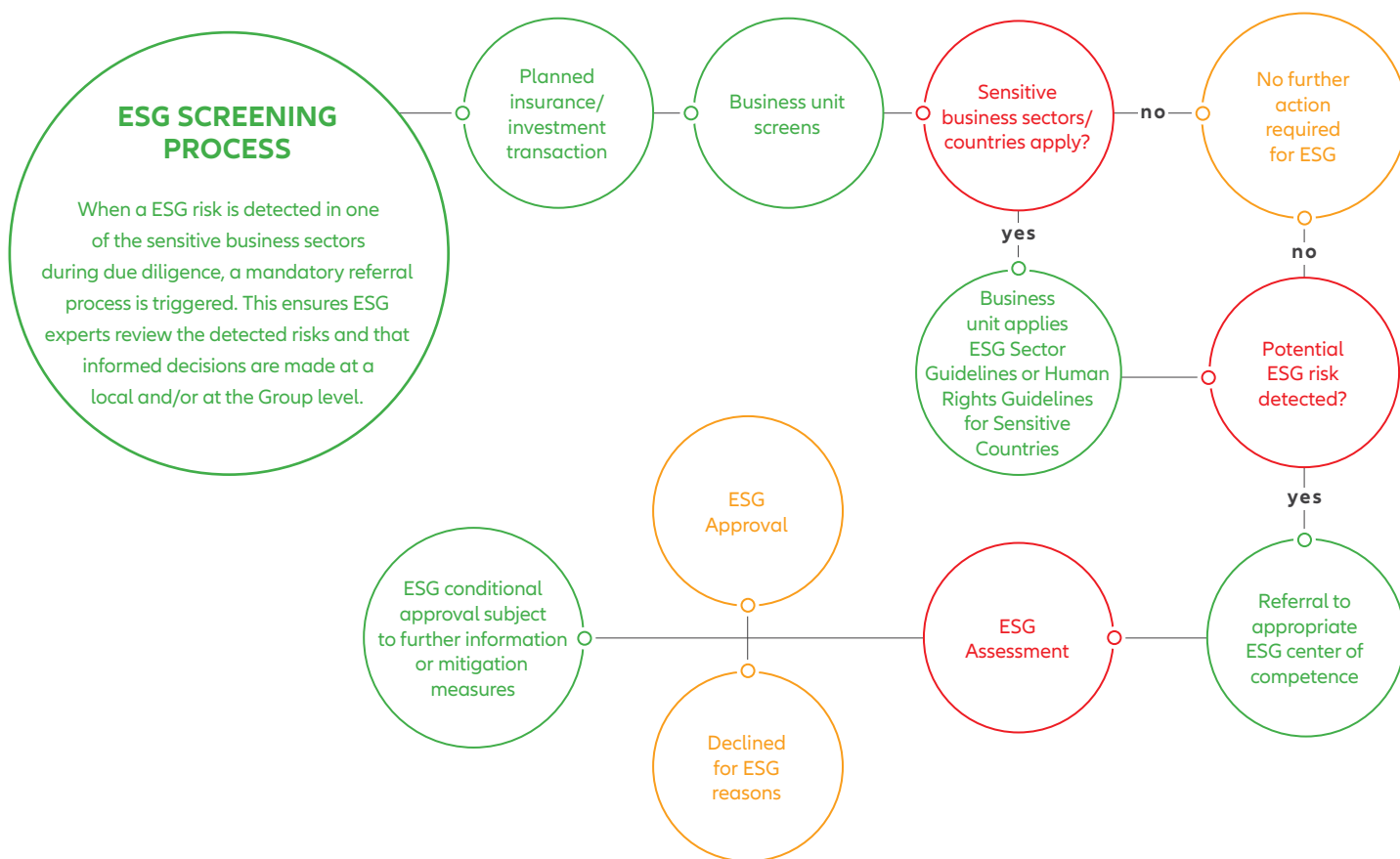
STEWARDSHIP FOR THE FUTURE

Responsible Investment

Our investment and insurance decisions are scrutinised from an ESG perspective to ensure that we are continuously apprised of the risks and opportunities that may impact our business and our stakeholders. The Allianz ESG Integration Framework was updated in 2018, providing further transparency and a robust guideline for deeper ESG integration into our business processes.

The Allianz Standard for Reputational Risks and Issues Management (“AS RRIM”), which represents the cornerstone of the overarching ESG approach across Allianz Group, sets out thirteen sensitive business areas which may present ESG and reputational risks. Any insurance or investment decision that falls within these areas will trigger a mandatory ESG Referral Process, depicted in **Diagram 9**. The Allianz Standard for Underwriting and the Allianz ESG Functional Rule for Investments also form part of our functional rules for ESG integration.

Diagram 9: ESG Referral Process





V

More information on ESG Integration in Allianz Group can be found at allianz.com/sustainability

This process ensures that we are holistically evaluating investment and insurance risks from both a local and global level, with consideration of any unmitigated ESG impact and implications from our decisions. ESG rating reports are generated by an independent data provider, MSCI ESG Research, with flagged transactions being escalated to Allianz Group’s global ESG working group for further assessment. Transactions are reviewed on a case-by-case basis to enable detailed assessment and the opportunity to identify possible mitigation measures. Two transactions were escalated in 2018, with none being declined.

The primary objective of Allianz’s investment approach is to achieve stable investment returns for customers in the long-term. In this respect, it is becoming increasingly important to take environmental, social and governance risks and opportunities into consideration early on in the investment process, as these may impact financial performance in the mid and long-term.

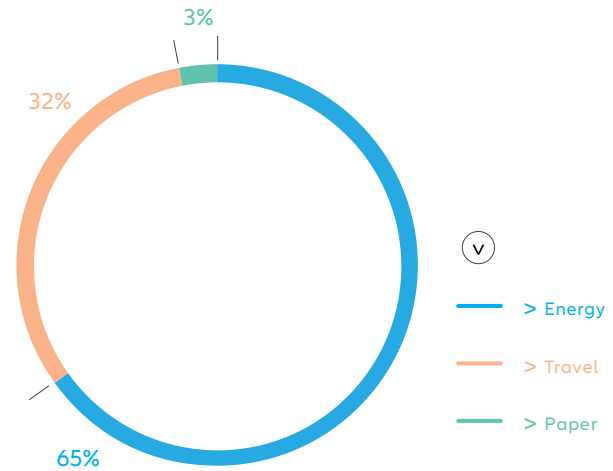
In response to transition risks, Allianz Group stopped financing predominantly coal-based business models since 2016; this encompasses businesses that derive more than 30% of revenue or energy from coal. We continue to restrict our investments in this area and make effort to pursue investments in the emerging renewable energy sector where viable, in line with the long-term targets of Allianz Group and our local government.

Managing our Environmental Footprint

The Allianz Group’s Climate Change Strategy represents our group-wide commitment as a leading global player to developing a low-carbon economy. In line with this commitment, our Environmental Management System (“EMS”) tracks our CO₂ emissions for annual reporting to Allianz Group. This enables us to continually improve our energy efficiency, while also ensuring that we remain a carbon-neutral company through carbon-offsetting.

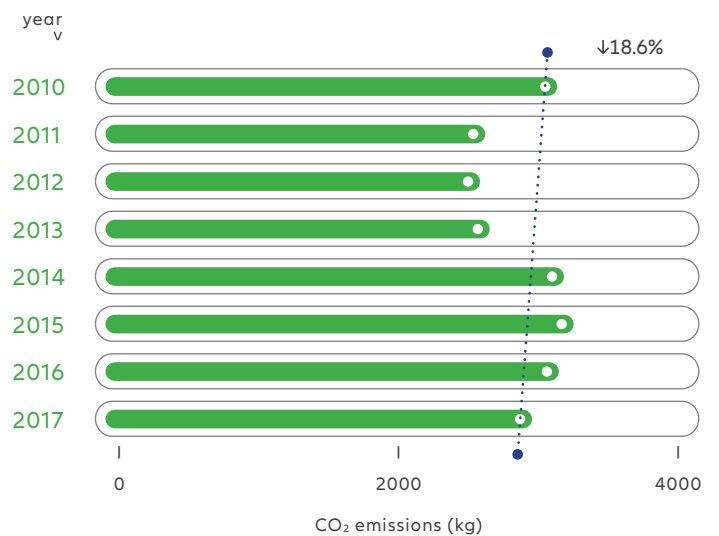
The current scope of the EMS includes energy used to operate buildings and IT equipment, business travel by air, car and train, and paper usage. The emissions allocation is indicated in **Diagram 10**. In 2018, we engaged a consultant to conduct an eco-efficiency audit of our head office. Following this, 17 recommendations were made to enhance our energy efficiency, with 10 being implemented in 2018. These include, but are not limited to, replacing our existing T8 fluorescent tubes with LED tubes, keeping the lights off in all coffee dispensers, labelling light switches on all floors, and setting the air-conditioning temperature to 24°C. The remaining 7 recommendations are pending implementation in 2019 following the completion of a feasibility study.

Diagram 10: Allocation of CO₂ emissions in 2018



Allianz Group has set a group-wide target of a 34% reduction in our CO₂ emissions by 2020 against a 2010 benchmark. This year, we recorded a 18.6% reduction in CO₂ emissions (kg) per employee from 2010, illustrated in **Diagram 11**.

Diagram 11: Allocation of CO₂ emissions in 2018



Sustainable Mobility

We continue to maintain three electric vehicles (“EVs”) as part of our Company Vehicle Fleet, which are available to employees within the Klang Valley area. The EVs enable cost and energy efficient travel, with each being capable of travelling a distance of 180km on a single charge.

Responsible Corporate Citizen

We have recorded a continued increase in the EV usage, with the three EVs having travelled a total of 17,945km in 2018 in comparison to 13,511km travelled in previous year. This has led to a cumulative total of 40,056km since we included EVs as part of our company vehicle fleet in 2016, and an avoidance of 4,163kg CO₂ and a saving in fuel costs amounting to RM2,593 in 2018 alone. The amount of CO₂ avoided is equivalent to the amount of CO₂ sequestered or absorbed by growing 108 trees in the span of 10 years.

Through an MOU with Cohesive Mobility Solution and partners, we have been supporting the insurance coverage for the vehicle fleet of the UNiRIDE car-sharing programme since 2016, which provides environmentally-friendly and affordable travel options for students across five university campuses in Malaysia. The UNiRIDE vehicle fleet currently includes 20 Energy Efficient Vehicles and 18 e-scooter units.

We continue to emphasise a preference for carbon efficient transportation options within our internal travel policy and encourage the use of audio, web or video-conferencing where possible. This has resulted in a sustained reduction in our short-haul business travel indicated in **Diagram 12** below.

Diagram 12: Audio Conferencing Requests and Business Travel

V

In 2018, 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
2017	721	903,046
2018	556	828,346

Sustainable Paper Consumption

Digitalisation has enabled us to greatly reduce our paper consumption, a decrease in overall paper usage by 34.2% was recorded in 2018, with an overall drop of 45% against a 2016 baseline. The successful implementation of our e-procurement platform in 2018, where all sourcing and procurement requests and approvals are performed digitally, has contributed to this drop. Aside from automating our processes, we continue efforts to reduce the total overall amount of paper used daily by centrally managing and monitoring the paper usage of our branch offices nationwide.

The digital projects undertaken as part of our operational transformation journeys, highlighted in the sections **Business Innovation** and **Technological Innovation**, will continue to generate a sustained reduction in the printing of physical forms and documents.

This year, we recorded a significant decrease in the printing of three specific forms related to customer fact-finding, policy application and change requests following increased usage of the e-Policy mechanism and Imagine App sales tool. As indicated in **Table 6** below, we experienced a 60% decrease from the previous reporting year.

Table 6: Number of printed forms since 2014

Year	2014	2015	2016	2017	2018
Number of Printed forms (sheets)	213,461	530,452	182,952	224,480	84,913

Sustainable Waste Management

In 2018, we recorded a total of 26,596kg of recycled paper across our locations nationwide. This marks a 38.7% decrease from last year, which we attribute to the overall reduction in paper usage. 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, with 246.6kg of e-waste collected in 2018 alone. While a collection bin for unwanted old clothes, handbags, linens and others is maintained in our head office since 2017. This is a partnership with the social enterprise, KLOTH Malaysia, which collects and manages the items for upcycling and recycling. A total of 451.2kg of such items have been collected at our head office since the implementation of this bin.



BUILDING A SOCIALLY INCLUSIVE WORLD

Accessible Solutions

We continue our distribution partnership with the national postal service, Pos Malaysia, which permits greater access to our products and services for rural segments nationwide. Allianz policies available at Pos Malaysia locations include 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 have recently begun distributing the Allianz KampungKu product, which extends protection to wooden 'kampung' homes through this channel. Our reach through this channel continues to increase, with a total of 331,171 of our Allianz policies being distributed at Pos Malaysia outlets nationwide in 2018.

Sustainable Solutions

Allianz Group has created a category of products called 'Sustainable Solutions' to identify the insurance and assistance services that we offer group-wide to improve peoples' lives, make a positive environmental impact or address climate-related concerns. Under this programme, products and services from operating entities undergo a strict assessment process which includes scoring against six environmental and social dimensions before being approved and categorised as a Sustainable Solution. The data provided through this process is subject to external assurance.

Five of our locally developed products have been categorised under Allianz Group's Sustainable Solutions Programme, listed in **Table 7**, with one offering, the Allianz Solar PV Insurance product being approved as a Sustainable Solution by Allianz Group in 2018. Find out more on the Allianz Solar PV Insurance in the **Business Innovation** section.

Two of our Sustainable Solutions, Allianz Kampungku and Allianz Kasih Hayat, are also products developed as part of BNM's affordable insurance scheme, Perlindungan Tenang, which is aimed at reaching the B40 consumer segment to narrow the national insurance protection gap.

Table 7: Sustainable Solutions developed and offered by Allianz



ALLIANZ'S SUSTAINABLE SOLUTIONS



Allianz Solar PV Insurance

- Special all risk solar insurance which addresses issues including the lack of support services, high-cost of maintenance and lack of compensation for damages faced by residential and commercial Solar PV owners



- Comprehensive protection covers loss or damage to the Solar PV system due to any malicious damage, theft or lightning as well as damage from fire, explosion, earthquake and any other natural disasters, flood, landslides and more

Motorcycle + PA

- Motorcycle coverage for third-party liability and (optional) loss and damage to due to accident
- Personal Accident as semi-bundled extra offer

Allianz Ability Life

- Launched in 2016
- A life insurance plan with guaranteed yearly renewal
- Designed exclusively for PWDs
- Affordable premium rates from RM50 to RM70

Allianz KampungKu

- Launched in 2013
- Covers Class 3 property or household content against fire, flood, and windstorm risks with an affordable premium for mostly rural communities
- Emergency Relief Benefit is available to policyholders immediately following a loss
- Paid RM669,190 in claims to policyholders in 2018

Allianz Kasih Hayat

- Launched in November 2017
- Catered toward consumers with a monthly household income below RM4,000 (B40 income bracket)
- Provides life assurance up to 70 years old
- Customers within this income bracket are able to choose between two affordable plans with guaranteed renewability
- In support of Bank Negara Malaysia's 'Perlindungan Tenang' initiative to offer affordable and simplified life insurance to underserved segments of society

Community Development

At Allianz, efforts towards community development are led by Allianz4Good, as the corporate responsibility arm of our company. Our corporate responsibility is shaped around strategic and sustainable philanthropy, as well as impact-driven engagements with our community partners and target beneficiaries. We are driven in particular by social inclusion and the equalising of opportunities in society, which shapes our focus on groups we identify as most displaced such as Indigenous people, Refugees, Persons with Disabilities ("PWD") and the B40 segment. Having served close to 50,000 beneficiaries in 2018 alone, we continually aim to balance our monetary and non-monetary support in areas of immediate and long-term impact.

Responsible Corporate Citizen

Diagram 13: Our Community Footprint – Direct Beneficiaries*

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



ENCOURAGING FUTURE GENERATIONS

In 2018, we continued our local support for Allianz Group’s global Encouraging Future Generations programmes which provide support and funding opportunities for impact-driven organisations, focusing in particular on youth employability and social inclusion for underserved youths and communities.

Allianz Social Innovation Fund

In 2017, our entity secured a €50,000 fund for SOLS 24/7’s Academy of Innovation as part of the Allianz Social Innovation Fund. The grant funded the 18-month education and boarding programme, which ran throughout 2018, providing education and empowerment opportunities to underprivileged Malaysian youths. As part of the programme, students attended 12 months of full-day classes in the areas of English, Mathematics, IT, Coding, Solar Energy and Personal Development as preparation for general employment and in the growing solar sector.



Employee volunteers, including CEOs Zakri Khir and Joseph Gross, facilitated in sessions with SOLS 24/7 students as part of the Allianz Innovation Fund throughout 2018



In support of their holistic development, Allianz employee engagement sessions were conducted throughout this 12-month duration, spanning involvement from high-level management including our CEOs Zakri Khir and Joseph Gross, both of whom gave motivational talks to the students in separate sessions, as well as our employees who conducted and facilitated in workshops with the students on the topics of Human Rights, Financial Literacy and Human Resource skills throughout 2018.

105 students were trained using innovative techniques that not only improved students' English competency but also gave fundamental knowledge on IT skills and offered them highly valuable market skills, such as coding and digital skills. Out of the 105 students, 90.7% of them are Orang Asli students who were recruited from rural villages in Gua Musang, Gerik, Negeri Sembilan and Kelantan. All students undertake a 6-month job placement as the final stage of the programme, with internship opportunities within our company being available through this partnership. 87 students are on track to complete graduation and many have started their jobs and apprenticeships in the first quarter of 2019.



Employee volunteers, including CEOs Zakri Khir and Joseph Gross, facilitated in sessions with SOLS 24/7 students as part of the Allianz Innovation Fund throughout 2018



The Picha Project secured the first global 'Allianz Future Generations Award' worth €40,000 in 2018

Allianz and Impact Hub Investment Ready Programme

In 2018, The Picha Project, a Malaysian social enterprise which empowers refugee families through a sustainable food catering and delivery business secured the first global 'Allianz Future Generations Award' worth €40,000. This unique acceleration programme was delivered in partnership with Impact Hub to support purpose-driven entrepreneurs aiming to foster social inclusion of children and youth in Brazil, Germany, Malaysia and Turkey.

Its aim was to enable the founders to develop a validated growth plan and attract investments via a 6-month training programme, with support from high-level Allianz mentors and content experts. To secure the grant, The Picha Project team pitched to a five-member jury represented by experts of the not-for-profit and youth organisations Rock4 Life, Phineo, Impact Hub and Allianz, as well as to a broader audience at the Allianz headquarters in Munich.

Responsible Corporate Citizen

V

COOKING WITH HEART



Another success in our efforts to promote social inclusion across the company, it was made mandatory for all events and meetings held at our Head Office to be catered by social enterprises that are working towards providing equal opportunities to marginalised communities.

This initiative helps generate profit for the social ventures and their beneficiaries, while also providing them with a platform to raise awareness on their respective social causes among Allianz employees and agents.

Over RM129,000 has been channeled towards our social enterprise and NGO catering partners since commencement of this initiative.



AJFC is a global football event organised annually by Allianz Group as a Platinum Partner of FC Bayern Munich, with 7,432 young aspiring footballers participating since 2012.

Fostering Young Talents

The Allianz Junior Football Camp ("AJFC") is a global football event organised annually by Allianz Group as Platinum Partner of FC Bayern Munich since 2009. The football camp is an opportunity for young football talents between ages 14 to 16 years old to showcase their skills and gain an exclusive insight to the behind the scenes world of professional football. AJFC Malaysia is part of our commitment to provide a platform for grassroots development of talented Malaysian youths. As part of this event, we have thus far witnessed the talents of 7,432 young aspiring footballers since 2012.

The league format, which runs up to five weeks simultaneously across six regions, was introduced in 2015 to enable a more structured competitive environment for participating talents. The AJFC Malaysia League 2018 drew participation from 1,692 teenagers, with 10 players being selected to compete in the AJFC Asia 2018 against 47 other teenagers from China, Indonesia, Sri Lanka, the Philippines, Laos, Singapore, Taiwan and Thailand. The two best players, Daniel Phoon Chun Tuck and Kumaran Raman, were selected to represent Malaysia at AJFC Camp in Munich.

THE PILLARS OF ALLIANZ4GOOD

As firm advocates of sustainable impact through strategic philanthropy, we have identified and focus on delivering in five core areas of corporate responsibility. By focusing on these areas, we are able to optimise our resources to create meaningful impact for our target beneficiaries by utilising our expertise and knowledge as risk managers, while also supporting and collaborating with our manifold community partners.

The objectives of each pillar are presented in **Diagram 14**, while the three-year targets and indicators for each pillar are set out in their respective sections that follow:

Diagram 14: Five Pillars – Allianz Corporate Responsibility Objectives



PILLAR 1 : SAFETY

2018 to 2020

Three-year Targets

1. To increase road safety outreach in more areas
2. To develop effective road safety awareness among children
3. To encourage awareness on risks of mobile distraction

Indicators

1. Number of Road Safety Awareness Campaigns rolled out
2. Number of Road Safety Education Programmes conducted
3. To collaborate with road safety agencies to conduct behavioural studies
4. Development of an effective impact analysis mechanism

Road Safety Awareness Campaigns

We continue our partnership with Jabatan Keselamatan Jalan Raya (“JKJR”) in 2018 to support the advocacy of safe road behaviour. This support includes engaging our employee volunteers as Road Safety Ambassadors who assist during JKJR’s road safety advocacy campaigns. This year, we conducted 12 Road Safety Advocacy Campaigns involving participation from our Road Safety Ambassadors whom advocate safe road behaviours to the general public and assist in distributing road safety items such as seatbelt shoulder pads, reflective windbreakers and motorcycle stickers. Motorcyclists may also exchange their old helmets for SIRIM-approved ones. A total of 7,588 of such items were distributed in 2018.

This year, we sponsored a research project by the Malaysian Institute of Road Safety Research (“MIROS”) to measure a driver’s level of distraction when using a mobile phone via a driving simulator. In 2018, our various safety initiatives encompassed Road Safety Advocacy Campaigns held in collaboration with our branches nationwide, Road Safety Education Programme classes and safety-related workshops reached a total of 5,220 beneficiaries.



Allianz General’s Head of Risk Management assists a motorcyclist to secure his new helmet

Responsible Corporate Citizen

ROAD SAFETY EDUCATION PROGRAMME



Road Safety Education Programmes were held in Sekolah Jenis Kebangsaan (Tamil) Ladang Bukit Jalil and Sekolah Kebangsaan Batu Muda in 2018

We believe inculcating good road behaviour must begin from a young age and therefore target our education efforts toward primary school children. A total of 360 primary school students were reached through our Road Safety Education Programme in 2018, held in Sekolah Jenis Kebangsaan (Tamil) Ladang Bukit Jalil and Sekolah Kebangsaan Batu Muda.

The Allianz Road Safety Education Programme incorporates an interactive circuit and an in-class road safety session which involves a hands-on circuit that 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.

The in-class sessions are one hour sessions which strengthen their individual comprehension of road rules and behaviour. Reflective wristbands and road safety tip booklets are distributed at the end of every session. In an effort to improve the reach of our Road Safety Education Classes, we have developed a comprehensive Road Safety Education Module for use by educators and parents.



PILLAR 2 : FINANCIAL LITERACY

2018 to 2020

Three-year Targets

Indicators

- | | |
|--|---|
| <ol style="list-style-type: none"> To increase the outreach of our financial literacy initiatives | <ol style="list-style-type: none"> How many teachers trained How many schools reached Feedback analysis on beneficiaries |
|--|---|

My Finance Coach

This My Finance Coach ("MFC") programme in Malaysia is based on materials and content provided by the Germany-based My Finance Coach Foundation. Allianz employee volunteers are trained as Finance Coaches to conduct sessions in schools and non-profit organisations. The content of the programme is localised and designed to be easily understood and equip youths with fundamental money management skills. The MFC programme adopted here in

Malaysia is comprised of two modules, Shopping and Saving, which are targeted toward primary and secondary students respectively.

In collaboration with Federation of Malaysian Consumer Association, we reached a total of 332 students across three schools in 2018. Participating schools included Sekolah Kebangsaan Methodist Petaling Jaya, Sekolah Kebangsaan Taman SEA and Sekolah Kebangsaan Damansara Jaya 1. **Table 8** below shows the outcome of My Finance Coach Programme for years 2014 to 2018.



Allianz employee volunteers trained as Finance Coaches have contributed a total of 2,236 volunteering hours since 2014

Table 8: Outcome of My Finance Coach Programme

Year	2014	2015	2016	2017	2018
Cumulative Number of Students reached	2,041	4,358	6,844	8,333	8,665
Number of Coaches trained per year	57	105	47	74	7
Total number of Coaches trained (cumulative)	239	344	391	465	472
Number of Volunteering Hours (approximate)	744	600	524	316	52

Responsible Corporate Citizen



Teachers from seven government schools and three NGOs attended our Pilot Teacher Training session to prepare them for roll-out in their institutions

Allianz Pilot Teacher Training Programme

As illustrated, there was a continued decrease in the rollout of MFC classes compared to previous years, as we are phasing out the MFC programme in place for our in-house Allianz Pilot Teacher Training Programme as a more impactful and sustainable alternative to financial literacy sessions while also supporting Bank Negara Malaysia's goal of developing best practices for financial literacy in schools. The module, FinWise Kids, was developed with EdSpace Projects and consists of a Teacher Guide, Participant Workbook, Teaching Aids and other learning materials.

This programme aims to elevate financial literacy levels among primary school students by equipping teachers with the necessary skills and knowledge to integrate key financial education topics into their extracurricular activities, and to modify the lessons according to their respective needs while achieving measurable impact. Eleven teachers from seven government schools in Kuala Lumpur and Kelantan, as well as five educators from three NGOs attended a training session which commenced a nine-month long programme for roll-out in their respective institutions.

We also supported the celebration of Child and Youth Finance International's annual Global Money Week with participation of 70 underprivileged students from Pusat Kebajikan Anak Yatim Mary and Lighthouse Children's Welfare Home. The children enjoyed an educational talk on "Apa itu Wang" and participated in the 'Si Kijang Puzzle Race' game, before going on a tour around the Bank Negara Museum and Art Gallery.



70 underprivileged students from Pusat Kebajikan Anak Yatim Mary and Lighthouse Children's Welfare Home visited Bank Negara Museum as part of Global Money Week 2018



PILLAR 3 : DISASTER RISK REDUCTION

2018 to 2020

Three-year Targets

1. To form an effective employee volunteer team for relief efforts
2. To increase disaster preparedness of vulnerable communities

Indicators

1. How many volunteers trained
2. How many training sessions
3. Number of disaster preparedness workshops conducted
4. Number of approximate beneficiaries
5. Feedback analysis on products catered toward vulnerable communities



A Flood Preparedness Programme was conducted by MISAR for the flood-prone communities of Tanah Merah, Kelantan

Capacity-building for Vulnerable Communities

Our efforts in Disaster Risk Reduction in 2018 included organising Flood Preparedness Programmes together with Malaysia International Search and Rescue ("MISAR") for flood-prone communities in Tanah Merah, Kelantan. The initiative, which was held at Sekolah Kebangsaan Tebing Tinggi and Sekolah Kebangsaan Sokor, was attended by over 264 residents of the area. During this programme, a talk was also conducted by our Kota Bahru branch to highlight our Allianz Kampungku product to the communities there. We also contributed to support MISAR's relief efforts in Kuantan following heavy flooding.

Significantly in 2018, Allianz endowed a grant to MISAR for the research and development of a Disaster Aid Capsule which has the capacity to house a shelter for 120 persons, 3 mobile toilets, a complete hygiene kit, as well as a built-in digital communication tool that runs on internet connection and is powered by solar energy. The communication tool will be able to provide a live feed of the situation on-ground during times of disaster emergencies, which is considered valuable data and information as it will allow the relevant agencies and NGOs to respond more effectively and efficiently.

Additionally, a Psychological First Aid Training programme was organised to equip 30 employee participants with the basic knowledge and skills required to conduct 'Psychological First Aid'. This training is part of our effort to realise a long-term objective of developing an effective employee volunteer team for deployment in disaster relief.



A training session was organised to equip thirty employee participants with the basic knowledge and skills required to conduct 'Psychological First Aid'

Responsible Corporate Citizen

PILLAR 4 : ENVIRONMENT

2018 to 2020

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

Under the Environment pillar, we promote environmental awareness primarily to our employees while also developing environmentally-related needs-based solutions for our community partners. In 2018, Allianz commenced a two-year long energy audit in partnership with Wild Asia Foundation to increase energy efficiency in our head office which will assist in reducing our operational costs and carbon footprint. Allianz4Good closely collaborates with the Local Environmental Officers (“LEO”) to monitor the company’s emissions (water, energy and waste) with the aim of improving our efficiency and reducing our carbon footprint. We have also engaged Wild Asia Foundation to develop a green guideline for implementation companywide before 2020.



Three environment-related workshops were held in 2018, benefitting the 58 employees that attended – including an organic soap-making session



A ‘Teh Tarik Session’ held in collaboration with the climate change youth organisation, PowerShift Malaysia, focused on the theme of “New Malaysia – ideas for a sustainable city”



Fifteen employees participated in the Bonus Fun Walk River 2018 where trees sponsored by Allianz were also planted

Celebrating Earth Hour and World Environment Day

In order to inculcate awareness over environmental issues among our workforce, we organised several awareness programmes on the topic throughout the year. In 2018, we supported the World Wide Fund for Nature’s Earth Hour movement by encouraging employees nationwide to switch off their lights in the office for an hour during lunch for a week in March 2018. This initiative was a resounding success, with 85% of lights being switched off during lunch hour for the Earth Hour week.

Three workshops, benefitting a total of 58 employees that attended, were held in our head office including a talk by the Zero Waste Malaysia founder and a hands-on soap-making workshop using recycled cooking oil for our employees led by Barakah Organics. A ‘Teh Tarik Session’ held in collaboration with the climate change youth organisation, PowerShift Malaysia, focused on the theme of “New Malaysia – ideas for a sustainable city”. While the Bonus Fun Walk River 2018 – co-organised by EcoKnights, Local Agenda 21 and Dewan Bandaraya Kuala Lumpur – drew participation from fifteen employees where trees sponsored by Allianz were also planted.



Allianz employees from the Kluang branch contributed to 3,600kg of paper collected during the nationwide recycling drive

Later in the year, a nationwide recycling drive collecting papers, clothes, electronic waste (e-waste) and books was held in November 2018. By involving fifteen of our branches nationwide, Allianz successfully collected over 3,600kg of paper, 180kg of clothes as well as 62kg of e-waste and books. The collection of paper and e-waste was given to Infodel and UrbanR Recycle+, while the books went to the Malaysian Insurance Institute's book donation campaign.

The collected clothes were passed on to Kloth, a local fabric recycling enterprise, while second-hand working clothes of good condition were donated to students of the learning centre SOLS 24/7 Academy of Innovation in preparation for their entry into the working world.

Developing Sustainable Solutions for our Beneficiaries

Nine employees volunteered with our community partner, Build for Tomorrow, to complete the installation of a solar powered water system to benefit the 86 residents of Kampung Orang Asli Air Kuning located on the outskirts of Taman Botani Negara, Shah Alam. The set-up of the water system, which was supported by Allianz, was carried out over three stages, beginning with the installation of the water pump, solar panels, water tanks and distribution pipes.

We partnered again with Build for Tomorrow to conduct an eco-efficiency audit of the premises of United Learning Centre, a centre which provides education for refugee children that was financially burdened by mounting utility bills. Following this audit, Build for Tomorrow outlined the scope of retrofitting required including, but not limited to, providing a water filter to provide clean drinking water to the occupants, insulation of classroom ceilings and gable vents to increase efficiency of building heat management, installation of energy efficient lightings, and an awareness program to reduce wasteful practices within the centre. The recommendations were successfully implemented in 2018 with support from Allianz.

Further to our engagement to SOLS 24/7, we installed a water filtration system to improve the academy's facilities and ensure a more conducive environment for the students. Find out more on our support for SOLS 24/7 Academy in the section on **Allianz Social Innovation Fund**.

Another community initiative was our support for Build for Tomorrow's installation of a water filtration system for the Orang Asal communities in Long Perluan, to replace the communal water filter which previously provided drinking water for all thirty families in the village before being burnt down in a fire. Prior to the installation, the villagers were dependent on bottled water as the nearby river was polluted due to upstream sewage and logging activities.

Responsible Corporate Citizen

PILLAR 5 : COMMUNITY

2018 to 2020

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

Our Community initiatives are guided in particular by the topic of social inclusion by focusing on social groups we identify as most displaced, such as Indigenous people, Refugees, Persons with Disabilities (“PWD”) and the B40 segment. Our CR initiatives under this pillar encompass addressing immediate needs and long-term capacity building efforts.

Breaking Barriers

In 2018, we continued our sponsorship for Persatuan Mobiliti Selangor dan Kuala Lumpur (“MOBILITI”) who provides transportation services for wheelchair bound PWDs. We have supported their indispensable service since 2006, by sponsoring the operational costs that include comprehensive Motor insurance and Enhanced Road Warrior for four of their vans, as well as the fuel, maintenance, tolls and salaries of their staff. In 2018 alone, MOBILITI served over 2,159 passengers across 10,752 trips.

We are also proud to support the Malaysian Council for Rehabilitation, which supports and highlights PWDs through the Abilympics National and International competitions, a PWD

skills competition shaped around five professional categories: Service, Information Technology, Industry, Craft and Food which is further split into 48 different skills. Following the national-level competitions held in July and October 2018, 15 competitors have been selected to represent the Malaysian contingent for the upcoming 10th International Abilympics to held in Russia in 2020.



We are proud to support the Abilympics competition, a skills-based competition for PWDs, since 2016

V

A DAY AT THE ORCHESTRA

We had the opportunity to bring 69 students of United Learning Centre and Dignity for Children Foundation to the Malaysian Philharmonic Orchestra’s concert titled Upin and Ipin in October 2018. Many of these children were of refugee and underprivileged backgrounds and never had the opportunity to attend a concert in the MPO.





Corporate Giving and Employee Volunteering



158 employee volunteers served over 2,000 urban poor and homeless during PERTIWI soup kitchen sessions in 2018

In 2018, 158 employee volunteers continued to eagerly contribute their time to serve over 2,000 urban poor and homeless during Pertubuhan Tindakan Wanita Islam's ("PERTIWI") soup kitchen sessions throughout the year. Established in 2010, PERTIWI Soup Kitchen focuses on food distribution to the homeless and urban poor across Kuala Lumpur. A Navara pickup truck donated to PERTIWI Health Services 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 continue to support the yearly maintenance of the truck.

Allianz employees donated items in-kind for our festive giveaways held during Hari Raya and the year end which reached a total of 816 beneficiaries, of which 350 were children of underprivileged backgrounds cared for by non-governmental operated homes. Items donated by our employees were distributed 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 in June 2018.



Employees contribute items in-kind for our festive-giving initiative to provide basic food items for families in need

Throughout 2018, we also provided other forms of direct support for those whom need it most. These include contributing items and basic necessities during Hari Raya and towards the year end such as rice, sugar, milk, condiments and cooking oil to 21 various NGOs and homes. Hari Raya goodies were also distributed to students of Sekolah Kebangsaan Tebing Tinggi and Sekolah Kebangsaan Sokor in Tanah Merah, Kelantan as well as underprivileged families located in Kelantan, Perak and Bangi.

This year we also made a contribution of eight electric beds and 100 tins of adult nutrition products to Lembaga Pelawat Rumah Ehsan, a home which provides care for 105 elderly folk in September 2018. During the delivery of this contribution, Allianz employee volunteers collaborated with indigenous students from SOLS 24/7 Academy of Innovation to regale the old folks with some light entertainment of music and dancing.

Celebrating & Nurturing the Malaysian Spirit



Allianz employees and agents participated in Unity Ribbon making workshops held from June leading to Malaysia Day 2018

This year, Allianz took the opportunity to organise a series of unity-themed activities as part of our continued commitment to drive the message of Malaysian unity among our workforce and society. This commenced with a post-GE14 forum with CEO Zakri Khir on what the new wave of change following the historic general elections would mean to us as a corporate entity comprised of Malaysians.

In an effort to promote interfaith understanding among our employees, a dialogue session was held with the Islamic scholar and member of G25, Encik Nik Abdul Aziz Nik Hassan, where the topic of Islam in society and governance was discussed among the 60 employees that attended. Another session held as part of this CEO's Unity Dialogue series included a dialogue in August 2018 on the topic of Malaysian history with participation from invited speakers, publisher and unity advocate Anas Zubedy, documentary filmmaker Norhayati Kaprawi as well as environmental consultant and historian, Dr. G. Balamurugan.

Responsible Corporate Citizen



Participants with the Islamic scholar and member of G25, Encik Nik Abdul Aziz Nik Hassan during a Unity Dialogue session held in 2018

Among the other activities was our Unity Ribbon campaign in partnership with social enterprise, Projek 57. The campaign entailed Unity Ribbon-making workshops involving our employees, directors and agents, but also students from our beneficiary and adopted schools across Malaysia who received Unity Ribbons or participated in a Unity workshop. This initiative was particularly meaningful due to the important message it promotes, while also supporting the education and empowerment of Orang Asli youths in Malaysia through the sale of every ribbon.

The Unity Ribbon also made an appearance at the Life Sales Action Group Meeting in Penang where 1,200 Allianz Life agents in attendance showed their overwhelming support for the initiative. Aside from that, CEO Zakri Khir was also a panellist at the Unity Ribbon Launch by Projek 57 alongside Deborah Henry and Brigadier-General Datuk Goh Seng Toh.



#STANDUP4HUMANRIGHTS FESTIVAL



We had the honour of sponsoring and participating in the #StandUp4HumanRights Festival organised by the Human Rights Commission of Malaysia.

The event was held in Padang Timor, Petaling Jaya and gave an opportunity for us to highlight our efforts towards upholding human rights in Malaysia through our inclusive protection solutions, employment practices and community development projects.

Our booth also featured a safety net which indicated words that represent the themes of Human Rights advocated by Allianz, namely inclusion, visibility, accessibility as well as protection and care.



We had the honour of sponsoring and participating in the #StandUp4HumanRights Festival organised by the Human Rights Commission of Malaysia



Responsible Corporate Citizen



We have garnered a cumulative total of 2,095 blood donors and 637 organ pledges since 2014

Blood Donation Drive and Organ Donation Pledge

In conjunction with Malaysia Day 2018 and in collaboration with the National Blood Centre and National Transplant Resource Centre, we organised the annually held Blood Donation Drive and Organ Donation Pledge campaign which was held at our head office as well as in Kedah, Johor and Sabah. The year's campaign was held from 6 to 27 September 2018 with four locations being open to public. A total of 263 blood donations and 52 organ pledges were successfully collected. Since 2014, we have garnered a cumulative total of 2,095 blood donors and 637 organ pledges.

Empowering Malaysians towards an Enriched Quality of Life

The IJM Allianz Duo Highway Challenge 2018, which attracted over 9,000 runners, returned in collaboration with IJM Corporation Berhad following the success of last year's event. Runners had the option to participate in the 13km challenge run or 6km fun run along the Besraya Highway (E9) on 29 April 2018 and a 21km challenge run along the NPE Highway (E10) on 29 July 2018, which gave participants the opportunity to run along the new Pantai Sentral Park Interchange. The final winners of the Duo Highway Challenge were selected based on the fastest combined timing from the 21km and 13km at the NPE and Besraya Highway Challenge respectively.

The fourth edition of the Allianz Pacer Run was held on 18 November attracting 6,000 runners to the streets of Precint 3, Putrajaya. The race format was revamped with new distances – 16km and an 8km fun run. This year's participants featured close to 2,000 of our customers, 433 Allianz agents and 400 employees. The race kicked off with a fun Zumba warm-up session, with the 16km race for Men's Open, Women's Open, Men's Veteran and Women's Veteran categories being flagged-off in front of the Palace of Justice. Following the run, participants enjoyed the festivities at the Allianz Runners Village, where they took part in an inflatable obstacle course and interactive booths which focused on health education, healthy living and nutrition.


The Allianz Pacesetters 4x3km Relay Run 2018 was held on 3 November 2018 at Perdana Botanical Gardens, Kuala Lumpur. This is the fifth year for Allianz as the title sponsor. The Allianz Pacesetters Relay is an annual event organised by Allianz in collaboration with renowned running group Pacesetters since 2014. This year, a total of 256 teams competed in five different categories: Women's Open, Mixed Open, Kiwanis Pace-it-Forward (Mixed), Men's Open and Under 26 (Mixed). One of Allianz's own teams managed to secure the third prize in the Kiwanis Pace-it-Forward (Mixed) category. Since 2014, the event has raised a total of RM222,000 for Down's syndrome.



The Allianz Pacesetters 4x3km Relay Run has raised a total of RM222,000 for Down's Syndrome since 2014



The fourth edition of the Allianz Pacer Run was held on 18 November, gathering over 6,000 running enthusiasts in Putrajaya



Courageous

▶ We all want to move up and reach new grounds in life, but it takes a lot of courage to step out of our comfort zone and face the fear of uncertainties and unknowns. Our ambition is to give people the courage to explore life, knowing we are there to support them.



Corporate Governance Overview Statement

The Board of Directors premises the proposition of good corporate governance as the backbone to build a responsible organisation, in the effort of maximising long-term sustainable value of the shareholders and various stakeholders.

THE CORPORATE GOVERNANCE CULTURE IN ALLIANZ

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.

Pursuant to the criteria as prescribed under the Malaysian Code on Corporate Governance ("Code"), the Company was considered as a Large Company at the commencement of the financial year ended 31 December 2018 ("FY 2018"). Save for those highlighted in the CG Report, the Company applied/adopted the practices as recommended in the Code ("Practices").

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

This CG Overview Statement is to be read together with the CG Report for the FY 2018 which is available in the Company's website at 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 and embracing the highest standard of CG into the culture of the Group.

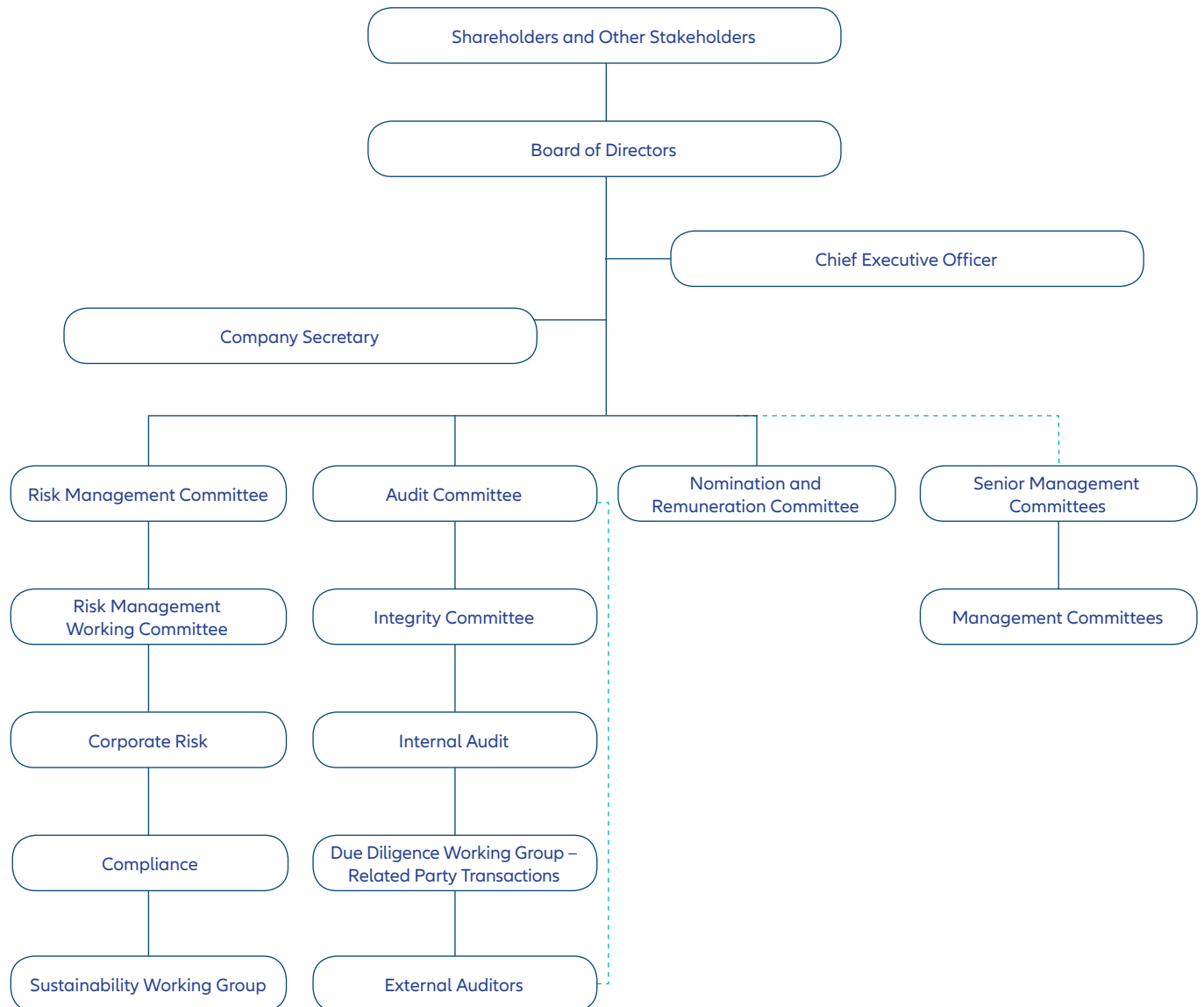
PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

Corporate Governance Overview Statement

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.

Corporate Governance Overview Statement

The Board deliberated on a 3-year business plan for 2019 to 2021 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 2018. On a quarterly basis, the Board reviews the status of the Business Plan and its deliveries.

The Board has put in place the 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.

The Directors' Code of Ethics is formulated with the aim to enhance the standard of CG and corporate behaviours. While the Allianz SE Group's Code of Conduct for Business Ethics and Compliance ("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 Meetings are conducted in accordance with a structured agenda approved by the Chairman. All Directors are given sufficient time to review the meeting papers prior to meetings, where the agenda and meeting papers are sent electronically to the Directors at least one week prior to the meetings in order to accord sufficient time for the Directors to review and consider issues to be discussed at the meetings. In order to ensure the efficient flow of information between the Board and Management, the decisions made at the Board Meetings are circulated to the Directors, CEO and relevant project owners after the Board Meetings.

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 (under the Corporate Governance section).

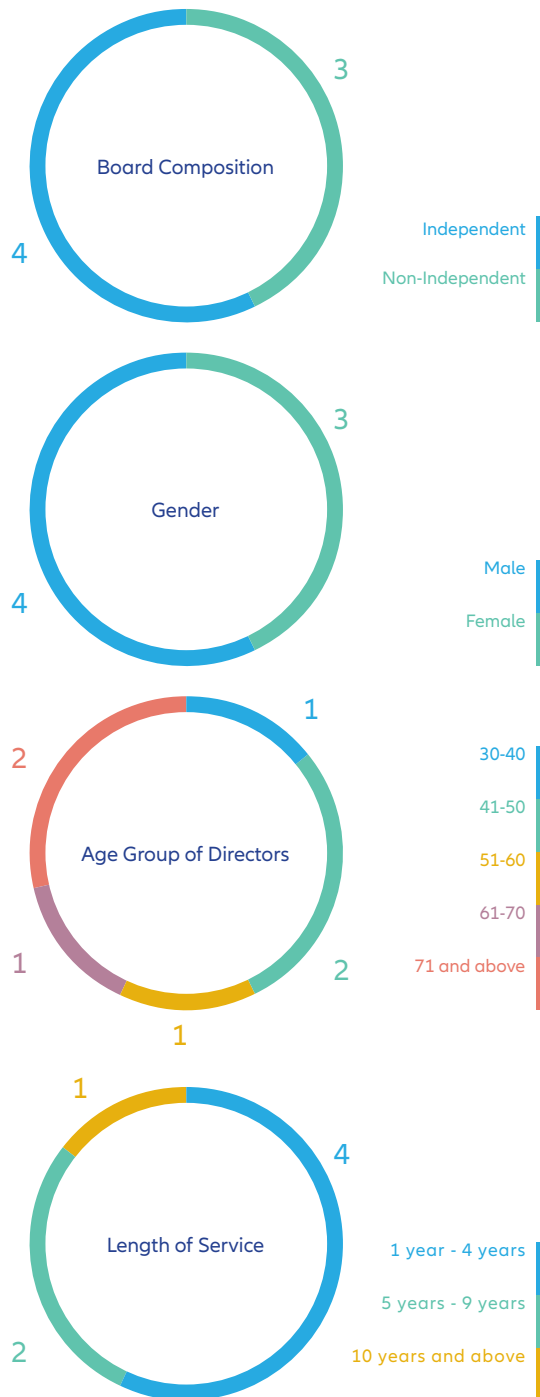
II. Board Composition

The board composition of the Group is structured to encourage objective and independent deliberation, review and decision making. The Board of the Company comprises 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 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 also takes into consideration the common directors requirement of Bank Negara Malaysia ("BNM") when determining the composition of the Board.

Corporate Governance Overview Statement

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 Non-Executive Directors is set for a maximum period of 9 years.

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 observations from the NRC are presented to the Board for deliberation.

Following the Board Effectiveness Assessment and Individual Director Evaluation conducted by an external independent consultant, Institute of Corporate Directors Malaysia ("ICDM") in the financial year 2017, follow up actions will be conducted on those recommendations adopted by the Board on an on-going basis.

The Board supports the universal move to appoint more female Directors to the Board and recognises the importance of having a diverse Board in terms of experience, skills, competence, ethnicity, gender, culture and age. The Board fully endorsed that female candidates should be included in the evaluation process for appointment of new Directors to the Board. In pursuing gender diversity, the Board's commitment to diversity permeates all levels of the organisation, including the appointment of Directors to the Board. During the FY 2018, the Board had appointed 2 new female Directors, made up to a total of 3 female Directors out of 7 Directors on the Board of the Company.

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.

The Directors' fees, allowances and benefits payable to the Chairman and Non-Executive Directors (excluding Nominee Directors of Allianz SE) of the Company and its insurance subsidiaries will be tabled for the shareholders' approval at the 45th Annual General Meeting ("AGM") of the Company.

Corporate Governance Overview Statement

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 and the said remuneration policy for the Key Responsible Persons are published on the Company's website at allianz.com.my/corporate-profile (under the Corporate Governance section).

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The AC comprises 2 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 2 years for a formal external auditor who directly involved in the engagement with the Company to be appointed as a member of AC. In this respect, none of the Directors are former key audit partner within the cooling-off period of 2 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 as 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 in every 5 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 in place 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 and the Policy on Audit and Non-Audit Services Provided by External Auditors are published on the Company's website at 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 state of internal control of the Group through the AC and Risk Management Committee ("RMC"). The RMC comprised a majority of Independent Non-Executive Directors as at 31 December 2018.

The RMC drives the risk management framework of the Group and reports quarterly to the respective Boards of the Group on its recommendations and/or decisions. The Risk Management Working Committee ("RMWC") is established at the management level of the respective insurance subsidiaries 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 of the respective companies and report to the respective Boards for consideration.

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.

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 (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 disseminates information through publication of quarterly report, annual report, corporate announcement through Bursa LINK, Investor Relations, press releases, corporate website and social media platforms.

The Board endeavours to adopt Integrated Reporting, in line with Practice 11.2 as set out in the Code. During the FY 2018, training had been conducted for the Directors in respect of Integrated Reporting. Given that the preparation of Integrated Reporting requires integrated thinking of the relationship between the various functions within the Group, discussion to develop a strategic plan will be commenced during the financial year 2019.

II. Conduct of General Meetings

The AGM is the principal forum to communicate with the shareholders. As part of the Company's efforts 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 44th 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 general meetings. The Board had at the 44th AGM of the Company held on 22 May 2018 conducted the meeting via poll voting electronically. The Company will continue to explore ways including further leveraging on technology, to encourage greater participation of shareholders at general meetings.

This CG Overview Statement was approved by the Board on 27 March 2019.

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 of Directors (“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 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 2018 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 2018 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 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.

Statement on Risk Management and Internal Control

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 promote risk and compliance awareness amongst the Group’s employees through trainings and workshops.

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, providing oversight on product pricing and profitability 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.

During the year, a Governance and Control Committee (“GOVCC”) has been set up to provide a platform for a structured and institutionalised interaction and collaboration on cross functional and control related topics to facilitate a consistent approach in terms of processes, methodologies, assessments, materiality and others. The GOVCC comprises of senior management from the governance and operations functions. The GOVCC will report to the AC on matters relating to internal control system while the governance related matters will be reported to the respective Senior Management Committee of the OEs.

INTERNAL AUDIT

The Internal Audit (“IA”) 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, corporate actuarial, customer services, internal and regulatory compliance audit such as business continuity management, replacement of policy, anti-money laundering 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.

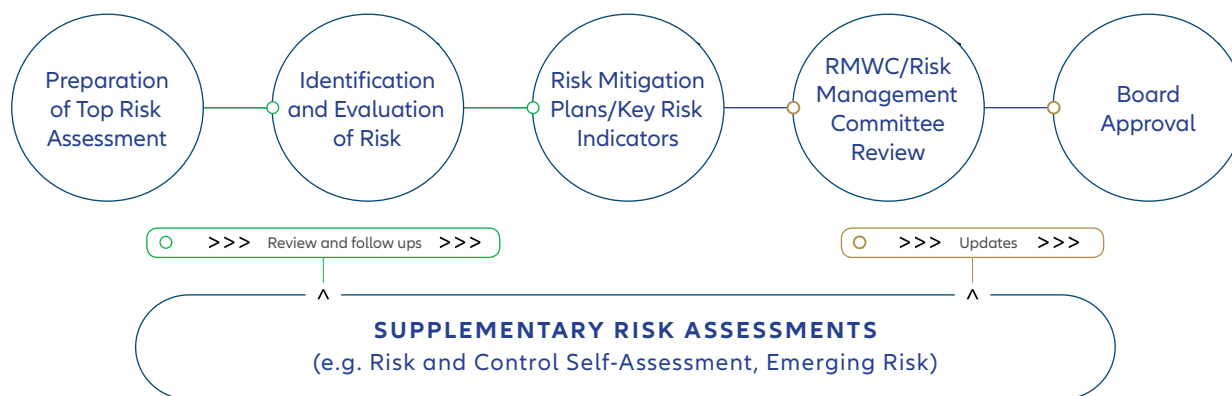
Statement on Risk Management and Internal Control

RISK MANAGEMENT PROCESS

Risk management is considered and managed as part of the daily process of managing and directing the business. These include the implementation of a limit system, various frameworks, manuals and policies.

Besides the embedded process, the following risk management cycle to identify, assess, mitigate, monitor and report will also be carried out by the risk management function together with the respective risk owners:

RISK IDENTIFICATION & ASSESSMENT PROCESS



i. Top Risk Assessment (“TRA”)

TRA approach is in place to periodically analyse all material quantifiable and non-quantifiable risks, including market, credit, underwriting, business, operational, liquidity, reputational and strategic risks.

The Group identifies and remediates significant threats to financial results, operational viability or the delivery of key strategic objectives, regardless of whether they relate to quantifiable or non-quantifiable risks using the approved TRA Matrix. The identified top risks are assessed quarterly by the assigned risk owners; and the same is reviewed by the RMWC and the RMC and approved by the Board. Key risk indicators are also put in place to monitor changes in risk exposure or control effectiveness for the top risks on a quarterly basis. The key risks and their salient points on how the Group manages these risks are set out below:

KEY RISKS	BOARD DEFINITION	RISK MANAGEMENT PRACTICES
Market	Unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. It also includes changes in market prices due to worsening of market liquidity.	<ul style="list-style-type: none"> Investment activity is strictly governed by the preapproved limits and appetite and monitored through a front end system. Any exception requires pre-approval. An asset and liability process has been put in place to manage the risks and returns expected from the insurance obligations. Selectively using derivative to either hedge the portfolio against adverse market movements or reduce reinvestment risk.
Credit	Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments.	<ul style="list-style-type: none"> Credit analyses are conducted prior to purchase and regular review on portfolio. Investment activity is strictly governed by the limits to ensure the diversification of investment portfolio to minimise the impact of default by any single counterparty. Only uses pre-approved reinsurance partners with strong credit profiles.

Statement on Risk Management and Internal Control

i. Top Risk Assessment ("TRA") (continued)

KEY RISKS	BOARD DEFINITION	RISK MANAGEMENT PRACTICES
Underwriting	Unexpected financial losses due to inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.	<ul style="list-style-type: none"> Managed through a comprehensive and strict standard for underwriting limit guidelines. Where necessary, the risk will be surveyed by the loss control engineers. Regular monitoring of products, assumptions used against actual industry statistics and re-pricing will be considered if necessary. Adequate reinsurance is purchased and reviewed annually to ensure adequate continuous cover within acceptable appetite and costs. New products undergo a robust product development process.
Business	Unexpected decrease in actual results as compared to business assumptions, which leads to a decline in income without a corresponding decrease in expenses; this includes lapse risk.	<ul style="list-style-type: none"> Regular monitoring of actual experience. New products undergo a robust product development.
Legal and Compliance	Losses arising from a breach of relevant laws and regulations.	<ul style="list-style-type: none"> Trainings will be provided and annual declarations required from all staff. New guidelines will be published in the Group's staff e-portal and highlighted through e-mails. Regular reviews are conducted to ensure compliance.
Cyber	<p>Business disruption, data loss and leakage and loss of availability of services due to:</p> <ul style="list-style-type: none"> Cyber-attack performed by internal or external parties including but not limited to criminal gangs, nation states or hacker activists. Social engineering including phishing, inserting subversive into organisations, interpersonal manipulation. Resource depletion [Denial of Service ("DoS"), Distributed Denial of Service ("DDoS")]. Web site defacement. Inadequate response plan and procedures for security incidents <ul style="list-style-type: none"> Malicious physical damage -attacks (incl. unauthorised physical access) or tampering with information system. Misuse of privileged access rights and systems. <p>resulting in compensation payments, or incremental operational costs, or legal costs, or reputation management costs.</p>	<ul style="list-style-type: none"> Strict policy and disciplinary action for security breach. Staff awareness on IT Security. Access Control. Regular review on User ID access. Use of virus protection software. Data Loss Prevention solution. Conduct of Annual Penetration Testing by independent party to detect possible external and internal vulnerabilities. IT security controls in place, such as Firewall, Malware Protection and DDOS protection. Privilege Identity Management.

ii. Operational Risk Management ("ORM")

ORM is a continuous process which includes operational risk identification, measurement, quantification, management and monitoring to mitigate the operational loss resulting from inadequate or failed internal processes, people, system or from external events.

ORM is monitored through a combination of the following activities:

- Integrated Risk and Control System.
- Analysis of actual loss events reported into the Loss Data Capture database.
- Periodic audits by the IA and reviews by risk management function.
- Other key risk indicators and feedback from subject matter experts (e.g. IT Security Officer, Data Privacy Officer, Business Continuity Management Officers, Anti-Fraud and Anti-Corruption Coordinators, as well as respective operation managers).

Statement on Risk Management and Internal Control

iii. Reputational Risk Management

All activities within Group can influence its reputation, which is determined by the perceptions and beliefs of its stakeholders. Hence, thorough management of reputational risks is required. Any risks that might have significant impact on Allianz operating entities or the Allianz SE Group will be escalated to Allianz SE.

The Group has adopted Allianz SE Group's Allianz Standard for Reputational Risk and Issues Management which establishes a set of core 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, 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.

The Corporate Communications Function of the Group actively manages the reputational risk by assessing any potential risk arising from media or any transaction relating to pre-defined sensitive areas.

iv. Liquidity Risk Management

Liquidity risk is a consequential risk, i.e. another adverse event has to happen before the Group runs into liquidity issues. On this background, the Group has identified various events that might lead to liquidity shortages. To mitigate this, limits on the cash position have been put in place and closely monitored.

In addition, as the Group is operating in insurance business, the following risk evaluation tools are also adopted as part of the Group's risk management framework:

v. Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP is an overall process by which the Group adopted to ensure it has adequate capital to meet its capital requirements which reflects its own risk profile on an on-going basis. The formal assessment is conducted at least on an annual basis and its results are reported to the Board.

The review of the ICAAP coincides with the annual planning process and any changes in the strategic directions of the respective companies and business plans will be updated into the Risk Strategy and accordingly all risks identified will also be taken into account when computing the Individual Target Capital Level ("ITCL").

The ITCL is validated by stress testing to ensure that it will still be above the Supervisory Target Capital Level even after the occurrence of a severe plausible event.

vi. Stress Testing

Stress test is an effective risk management tool and the Group conducts such stress test regularly. The stress test process is designed based on the respective insurance subsidiaries' solvency position, lines of business, current position within the market, investment policy, business plan, and general economic conditions. The results of the stress test will then be incorporated into the respective insurance subsidiaries' capital management plan, in determining the extent of capital affected by the threats arising from adverse events and the actions required to mitigate such threats.

The Board and Management participated actively in providing feedback on its results and appropriateness of its methodology and assumptions.

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.

Statement on Risk Management and Internal Control

Management Authority Limit

- The Board's 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 incorporate segregation of duties and check and balance in delegation of authority.
- The Management's authority limits include limits for underwriting of risks, claims settlement, reinsurance, 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 Board 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 ongoing basis, the affairs of the respective OEs.

Related Party Transactions

- The Group has established the necessary controls and procedures to ensure compliance with the relevant regulatory requirements. 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 been obtained.

- A due diligence working group 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 procedures 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 processes. 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.

Statement on Risk Management and Internal Control

Investment (continued)

- 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 and the Board of the insurance OEs for review at its quarterly meetings.

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.

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 Allianz SE Group’s Anti-Fraud Policy (“AZSE AFP”) and the Allianz SE Group’s Whistleblowing Policies and Procedures (“AZSE WBPP”) to address fraud and whistleblowing issues respectively. The AZSE AFP defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The AZSE WBPP 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.

Statement on Risk Management and Internal Control

Employees

- All staff are required to make an annual declaration that they fulfill the minimum criteria of "A Fit and Proper Person" as prescribed in Sections 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;
 - 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 the 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 is conducted at least once a year whilst the 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 Privacy Standard ("APS"), which superseded and replaced the Allianz Standard for Data Protection and Privacy, contains the global minimum requirements applicable within the Allianz SE Group for the processing and transfer of personal data within the Allianz SE Group. The APS takes into account the requirements of the European Union privacy law, the General Data Protection Regulation that came into effect in May 2018, as well as additional requirements to facilitate cross-border transfers of personal data originating from or processed in the European Economic Area within the Allianz SE Group. The Group adopted the APS in May 2018 and signed the binding corporate rules, which is a legally recognised mechanism for legitimising and facilitating such cross-border transfers. Under the APS, there are functional rules specifying data privacy and protection requirements, including conducting Privacy Impact Assessment to record processing activities that involve handling of personal data and personal

Statement on Risk Management and Internal Control

data breach incident guideline and workflow. Compliance with the APS adopted by the Group ensures compliance with the Malaysian Personal Data Protection Act, 2010 and is in line with the Code of Practice on Personal Data Protection for Insurance and Takaful in Malaysia.

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

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement 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 for inclusion in the annual report of the Group for the year ended 31 December 2018, and in their limited assurance review, they have 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 Statement 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 and management thereon. The external 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' limited assurance 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 21 February 2019.

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
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Member)	> Independent Non-Executive Director
Foo San Kan (Member)	> Non-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 are 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 AC composition meets the requirement of Paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

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. A member of the AC namely Foo San Kan, is a Fellow of the Institute of Chartered Accountants in England and Wales, Chartered Accountant of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants. Accordingly, the Company complied with Paragraph 15.09(1)(c)(i) of the MMLR of Bursa Securities.

The insurance subsidiaries of the Company have formally used the services of AC since 1 January 2008.

INDEPENDENCE OF AC MEMBERS

None of the AC members are 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, none of the AC members are directly responsible for, or part of any committee involved in, the management functions of the Group.

The Independent Directors satisfied the test of independence under MMLR of Bursa Securities.

ANNUAL PERFORMANCE ASSESSMENT

The performance evaluation of AC as a whole and AC member individually for the financial year ended 31 December 2018 ("FYE 2018") were carried out by the NRC in early 2019. 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

The 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.

The 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 by the Group. 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 AC engaged with the Senior Management, the Head of Internal Audit Department (“IAD”) and External Auditors on a continuous basis, to be kept informed of matters affecting the Group.

ROLES OF THE AC



AC's TOR is incorporated in the Board Charter, which is available in the Company's website at allianz.com.my/corporate-profile (under the Corporate Governance section)

AC is charged with the responsibilities of assisting the respective Boards of the Group in its oversight, amongst others, as follows:

- support the Board in ensuring that there is a reliable and transparent financial reporting process;
- monitor and evaluate the performance and effectiveness of the external and internal audit functions;
- assess the internal control environment; and
- review and report to the Board of conflict of interest situations and related party transactions (“RPTs”).

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 the 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 the AC members at least one week 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 (“Finance Team”) of the Company and its subsidiaries and the Head of IAD are permanent invitees to the AC meetings, to assist in the deliberation of matters within their purview. Other members of the Management are also invited to the 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. The 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 matters deliberated during the AC meetings and require the attention of the respective Boards. The minutes of AC, upon confirmation, are presented to the respective Boards for information.

There were 5 AC meetings held during the FYE 2018. The attendance of the respective AC members during the FYE 2018 was as follows:

Name of Members	No. of AC Meetings Held	No. of AC Meetings Attended
Dato’ Dr. Thillainathan A/L Ramasamy	5	5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	5
Foo San Kan	5	5

SUMMARY OF ACTIVITIES/WORKS

The subject matters that had been discussed by the AC during the FYE 2018 were as follows:



Audit Committee Report

The following were the summary of works carried out by the AC during the FYE 2018:

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 and its subsidiaries for the financial year ended 31 December 2017 ("FYE 2017").
 - ii. The audited and unaudited consolidated quarterly reports of the Group.
 - iii. The AFS and AFS for Investment-Linked ("IL") Funds for the FYE 2017 of the life insurance subsidiary.
 - iv. The AFS for the FYE 2017 and the Interim Financial Statements for the financial period ended 30 September 2018 ("Interim Review") of the general insurance subsidiary.
 - v. The unaudited Interim Financial Statements for the half-year ended 30 June 2018 of the insurance subsidiaries.
 - vi. The audited annual return for the FYE 2017 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 Finance Team 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.

The former External Auditors of the Group, KPMG PLT, has given an unqualified opinion on the AFS of the Company and its insurance subsidiaries for FYE 2017. The newly appointed External Auditors, PricewaterhouseCoopers ("PwC") PLT, gave 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 former External Auditors in respect of the statutory audits of the Group and AFS for IL Funds for the FYE 2017 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 former 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 the Companies Act 2016, the Financial Services Act 2013 and guidelines/circulars issued by Bank Negara Malaysia ("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 2017.
- 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 External Auditors for review.

External Auditors had reviewed the SORMIC and concluded that nothing has come to their attention that causes them to believe that the SORMIC, in all material aspects have not been prepared in accordance with the relevant disclosure requirements or were factually inaccurate. Following clearance obtained from the External Auditors, AC recommended for the inclusion of the SORMIC in the Annual Report for the Board's approval.

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 the External Auditors.

- f. AC reviewed the updates and progress scorecard on the implementation of IFRSs 9 and 17.

The Management had on a quarterly basis updated the AC on the progress of the implementation of IFRSs 9 and 17. The AC has also given a mandate to the Management to appoint an external consultant for the IFRS 17 implementation.

Audit Committee Report

Internal Audit Related Matters

- a. In its oversight over the Internal Audit function, AC had approved the Group's 5-year (2019 - 2023) Internal Audit Plan. The said 5-year Internal Audit Plan is a dynamic plan and the review will be conducted on an annual basis.
- b. AC reviewed on a quarterly basis, the progress reports of the Group's Internal Audit Plan 2018 ("2018 Plan") to ensure that the 2018 Plan was on track. AC also discussed the progress reports on various outstanding audit findings. AC noted that 97% of the 2018 Plan has been executed and 5 ad hoc audit assignments were carried out in 2018.
- 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 for the period from 1 January 2017 to 31 December 2017 ("Validation Reports"), prepared by the Head of IAD and former External Auditors for the Company's insurance subsidiaries. Both the Head of IAD and former External Auditors had given clean opinion on their respective Validation Reports. 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 2018 for the insurance subsidiaries.

- e. AC reviewed the results of the self-assessment review of the IAD in 2018. 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 succession plan and the resource requirements of IAD including the adequacy and competency to ensure that the quality of the resources is optimal for the IAD to carry out its function effectively.
- g. In February 2018, AC evaluated the 2017 performance of the Head of IAD and submitted its recommendations to the NRC and the respective Boards for review. AC also reviewed the 2018 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 2018. 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.
- i. The Head of IAD had on 23 March 2018 and 21 November 2018 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 plan of the IAD.

External Auditors Related Matters

A. Appointment of External Auditors

- a. In order to comply with the European Union Regulation's requirement on mandatory rotation of auditors in every 10 years, PwC has been selected as the new External Auditors for Allianz SE Group ("Allianz Group") for the financial year 2018.

In February 2018, the AC reviewed the proposed appointment of PwC PLT, including its engagement partners and concurring partner. The assessment on the performance of PwC PLT based on the criteria prescribed by the relevant authorities had been performed by the Finance Team of the respective companies within the Group. The Finance Team of the Group were satisfied with the appointment of PwC PLT including the engagement partners and the concurring partner for the respective companies and recommended the appointment of PwC PLT as External Auditors for the financial year 2018 based on the following rationales:

- i. PwC PLT is familiar with the local insurance industry and they are also the External Auditors of the Allianz Group following the global rotation in External Auditors;

Audit Committee Report

- ii. PwC PLT was selected after a global tender process by Allianz Group and had been assessed to be able to provide effective co-ordination of the audits between companies within the Group as well as between the Group and the Allianz Group. Actuarial Team and the Finance Team of the Group participated in the assessment process; and
- iii. PwC PLT met the minimum criteria, as prescribed by BNM.

During the financial year 2018, PwC PLT made a declaration to the Group that PwC 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 Finance Team and concurred with the Management's recommendation and justification to appoint PwC PLT as the External Auditors for the Group and recommended the appointment of PwC PLT as the External Auditors for the Group for the financial year 2018 for the respective Boards' approval.

KPMG PLT were not seeking for re-appointment as a result of mandatory rotation of Allianz Group's External Auditors and retired at the 44th Annual General Meeting of the Company held in May 2018.

The appointment of PwC PLT as External Auditors in place of the retiring External Auditors, KPMG PLT, was approved by the shareholders of the Company at the 44th Annual General Meeting of the Company in May 2018.

- b. AC reviewed the scope of works and the audit fees of the Group for the financial year 2018 ("2018 Audit Fees") and recommended the same for the respective Boards' consideration.
- c. The 2018 Audit Fees for the financial year 2018 for the Company and the Group are as set out below:

	Group RM'000	Company RM'000
Statutory Audit Fees	797	133

- d. AC also reviewed and recommended for the approvals of the respective Boards of the Group:
 - i. the appointment of PwC PLT to review the SORMIC of the Company for the financial year 2018;
 - ii. the appointment of PwC PLT to provide professional services in relation to the issuance of Validation Reports to PIDM for the insurance subsidiaries for the year of assessment 2019;
 - iii. the engagement of PwC PLT to perform Interim Review on the general insurance subsidiary;
 - iv. the engagement of PwC PLT for professional services to validate and certify the intercompany charges paid by the insurance subsidiaries for the financial year 2018; and
 - v. the PwC PLT's engagement letters in relation to the above appointments.

B. Audit Plan, Findings and Recommendations

The shareholders had in May 2018 approved the appointment of PwC PLT as the new External Auditors for financial year 2018, in place of the retiring External Auditors, KPMG PLT.

During the financial year 2018, KPMG PLT and PwC PLT attended the AC meetings and reviewed the following matters with the AC:

- a. the 2017 final audit findings of the Group covered significant risk areas, adjustment arising from the audit, control deficiencies and fraud reporting. KPMG PLT have not alerted AC so far on any material concern/weaknesses on internal controls of the Group.
- b. the Management Letters issued by KPMG PLT highlighted matters on system of internal control which came to KPMG PLT's attention during the course of the statutory audit of the insurance subsidiaries for the FYE 2017 and the respective Managements' responses in relation thereto. AC was satisfied with the responses provided by the respective Managements and recommended the same to the respective Boards of the insurance subsidiaries for approval.

Audit Committee Report

- c. the External Audit Plan of the Group for the FYE 2018 detailed amongst others, the areas of focus such as specific risks areas for the respective entities within the Group, initial audit engagement – opening balances for all entities within the Group, adoption of MFRS 9 “Financial Instruments” by the Company, effects of Phased Liberalisation of Motor and Fire Tariffs on the general insurance business, system change and data migration of the general insurance subsidiary and valuation of financial instruments in the life insurance subsidiary.
- d. the interim audit findings raised by the External Auditors in their Limited Review and Status Update Report to the Group and the Management’s responses to the audit findings. AC was satisfied with the Management’s responses.

1 private discussion was held between AC and KPMG PLT without the presence of the Management on 21 February 2018 to allow them to express concerns, problems and reservations, if any, arising from the financial audits.

KPMG PLT were satisfied with the cooperation extended to them during the course of their audit.

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 Auditors (“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 in the Company’s website at 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 2018:

Non-Audit Fees	Subsidiaries RM’000	Company RM’000
• review of interim financial information for the Interim Review for the general insurance subsidiary (by PwC PLT)	53	-

Non-Audit Fees	Subsidiaries RM’000	Company RM’000
• review of SORMIC (by PwC PLT)	-	10
• Sales and Service Tax briefing (by PwC Taxation Services Sdn Bhd)	5	-
• preparation of transfer pricing documentation and tax review (by PwC Taxation Services Sdn Bhd)	100	40
• perform specific assessments on intercompany charges based on the standards issued by BNM dated 28 March 2018 (“Previous Standards”) (by PwC PLT)	196	-

The total non-audit fees of the Group for the financial year 2018 excluding fee for specific assessments on intercompany charges based on the Previous Standards amounted to RM224,000.

Following the issuance of a new standards on intercompany charges paid to related entities by BNM on 31 January 2019, the non-audit fee in relation to specific assessments on intercompany charges based on the Previous Standards to be performed by PwC PLT is subject to further review by the AC and the respective Boards of the insurance subsidiaries.

RPTs

- 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 criteria, include but are not limited to the following:

- 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

Audit Committee Report

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 meeting 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 2017 to 31 December 2017 and from 1 January 2018 to 30 June 2018 which were submitted to BNM pursuant to BNM's requirements.

- b. During the financial year, AC also reviewed the review procedures for RRPTs and made changes to the said review procedures for RRPTs ("Revised 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 and recommended the Revised Review Procedures for the Board's approval. AC was of the view that the Revised 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 Revised Review Procedures for inclusion in the 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 a 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 of 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 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.

Audit Committee Report

Others

- a. AC reviewed and recommended for the approval of the Board, the Chairman's Statement, Management Discussion and Analysis, AC Report and the Corporate Governance Overview Statement for inclusion in the Annual Report of the Company for the FYE 2017.
- b. AC reviewed and deliberated on the status of tax audit by Inland Revenue Board on the life insurance subsidiary.
- c. AC reviewed and discussed on the tax audit development for the general insurance subsidiary.
- d. AC reviewed and deliberated on the BNM's 2017 supervisory review observations of the insurance subsidiaries and the respective 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 2017 supervisory review on a quarterly basis.
- e. AC reviewed and deliberated on the general insurance subsidiary's non-compliance with requirements under the BNM's Policy Document on Phased Liberalisation of Motor and Fire Tariffs and the Management's responses and action plans in relation thereto. AC also monitored the remedial measures to address the findings highlighted by BNM on a quarterly basis.
- f. AC reviewed and deliberated on the supervisory assessment by BNM on the general insurance subsidiary's post liberalisation of motor insurance 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 a quarterly basis.
- g. AC reviewed and deliberated on the market conduct examination by BNM on the life insurance subsidiary's agency and telemarketing distribution channels 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 a quarterly basis.
- h. AC reviewed and deliberated on the market conduct thematic examination by BNM on the life insurance subsidiary's Balanced Scorecard Framework. AC noted that there was no adverse observation identified.
- i. 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 a quarterly basis.
- j. AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Accounting and Reporting Policy version 5.0 ("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.
- k. AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Audit Policy version 7.0 ("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 are ensured.
- l. AC deliberated on the progress of investigation by Malaysia Competition Commission in respect of the allegation by Federation of Automobile Workshop Owners' Association of Malaysia on Persatuan Insurans Am Malaysia and its members, including the general insurance subsidiary of the Company.
- m. In compliance with the Previous Standards, the AC had reviewed the payments made to third parties that are common service providers.
- n. AC reviewed and recommended for the approval of the Board of the life insurance subsidiary, the revision to the Sales Compliance Disciplinary Policy.

Audit Committee Report

TRAINING

During the FYE 2018, AC members attended various conferences, seminars and training programmes and the details of the conferences, seminars and training programmes are reported in the 2018 Corporate Governance Report of the Company.

INTERNAL AUDIT FUNCTION

The internal audit function is carried out by the IAD which is independent of business operations. The IAD is headed by the Head of IAD, who reports directly to the AC and to the Chief Executive Officer administratively.

All internal audit personnel had confirmed via annual declaration to the Head of IAD that they were free from any relationship or conflict of interest, which could impair their objectivity and independence for internal audit activities carried out for the FYE 2018. The Head of IAD has provided assurance to the AC via the annual declaration of independence for the FYE 2018 that the internal audit activities carried out during the year has complied with the independence requirements of the Institute of Internal Auditors and other relevant practices or guidelines from Allianz Group Audit and there was no contravention of any applicable code of professional conduct in relation to the audit activities.

The primary objective of the IAD is to assist the Management, AC and the respective Boards of the Group in the effective discharge of its 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 FYE 2018, the IAD carried out its duties in accordance with its Audit Charter and 2018 Plan. All internal audit reports which incorporated the Management of the respective companies' responses and action plans were tabled for discussion at AC meetings.

2018 Plan was developed based on annual risk assessment and approved by the AC. The identified key audit areas for 2018 encompassed underwriting, claims and sales operations, actuarial pricing and risk capital and figure calculation, risk management, product technical design and controlling audit, regulatory compliance audit such as Business Continuity Management, Replacement of Policy, Anti Money Laundering Counter Financing of Terrorism and IT systems audit.

A total of 41 internal audit assignments and 5 ad hoc assessments were carried out during the FYE 2018. A total of 49 internal audit and assessment reports generated during the FYE 2018 were reviewed and deliberated by AC. There were no significant or material audit findings detected during the FYE 2018.

These audits and assessment reviews were performed in line with BNM's 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 were a total of 17 internal auditors including the Head of IAD. All internal auditors have completed tertiary education in the relevant fields related to the business of the Group and the level of expertise and professionalism within IAD at the end of 2018 was as follows:

Expertise	Percentage of total internal auditors
Finance	88
IT	18
Business/Economics	88
Marketing	47
General/Others	100
Post Graduate	
MBA and Masters	6

The total cost incurred by the IAD in discharging the internal audit functions of the Group for the financial year 2018 was RM3.0 million (2017: RM3.6 million).

This AC Report was approved by the Board on 27 March 2019.

Nomination and Remuneration Committee Report

COMPOSITION

The Nomination and Remuneration Committee ("NRC") of the Company consists of 4 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
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz (Chairman)	> Independent Non-Executive Director
Foo San Kan (Member)	> Non-Independent Non-Executive Director
Dato' Dr. Thillainathan A/L Ramasamy (Member)	> Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Member)	> Independent Non-Executive Director

The changes in the composition of the NRC during the financial year ended 31 December 2018 were as follows:

- Tan Sri Razali Bin Ismail relinquished his position as member of the NRC on 22 May 2018 following his retirement as the Chairman of the Board of Directors ("Board") of the Company at the conclusion of the 44th Annual General Meeting of the Company on 22 May 2018;
- Tan Sri Datuk (Dr.) Rafiah Binti Salim relinquished her position as Chairman of the NRC and was re-designated as member of NRC on 23 May 2018 following her appointment as Chairman of the Board of the Company on 23 May 2018, to be in line with Bank Negara Malaysia ("BNM")'s requirement that Chairman of the Board must not chair any of the Board Committees; and
- Tunku Zain Al-'Abidin Ibni Tuanku Muhriz ("TZ") was appointed as the Chairman of the NRC on 23 May 2018 in place of Tan Sri Datuk (Dr.) Rafiah Binti Salim.

Upon TZ's appointment as Chairman of the NRC, he took initiative to engage with the Head of Human Resources Division to discuss on key human resource related topics, such as performance and rewards, talent management and development, employee engagement and succession planning. TZ made constructive enquiries when in doubt, encourages active participation and healthy debate among the members of NRC.

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 THE NRC

The NRC is governed by its terms of reference ("TOR") which was approved by the Board. 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 BNM on 3 August 2016 ("CG Policy").



The NRC's TOR is incorporated in the Board Charter, which is available on the Company's website at allianz.com.my/corporate-profile (under the Corporate Governance section).

Nomination and Remuneration Committee Report

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.

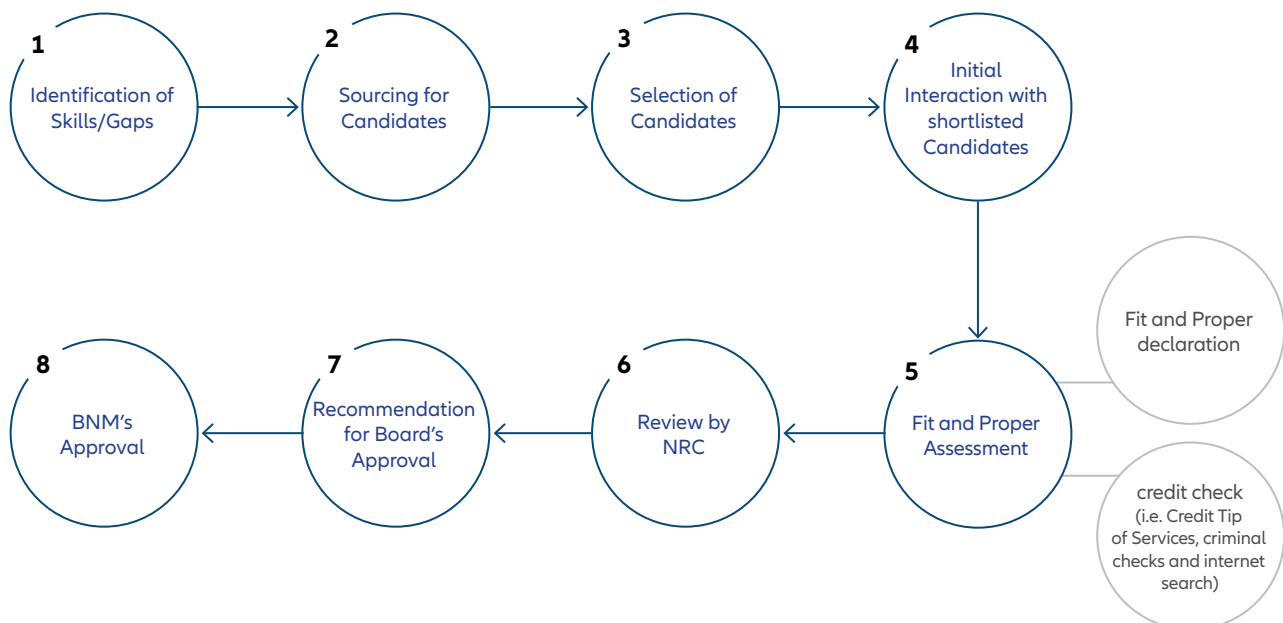
The Board leverages on the Directors' network, shareholders' recommendation and industry database such as the Directors Register, a joint initiative by Financial Institutions Directors' Education ("FIDE") Forum, BNM, Perbadanan Insurans Deposit Malaysia and LeadWomen Sdn Bhd, a Malaysian owned consulting 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 female candidates are sought and considered in its recruitment exercise for appointment of new Directors to the Board.

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.

During the financial year ended 31 December 2018, the Board of the Company had appointed 2 female Directors.

The Company and its insurance subsidiaries (collectively referred to as "Group") is guided by the following process and procedures for nomination of new candidates:

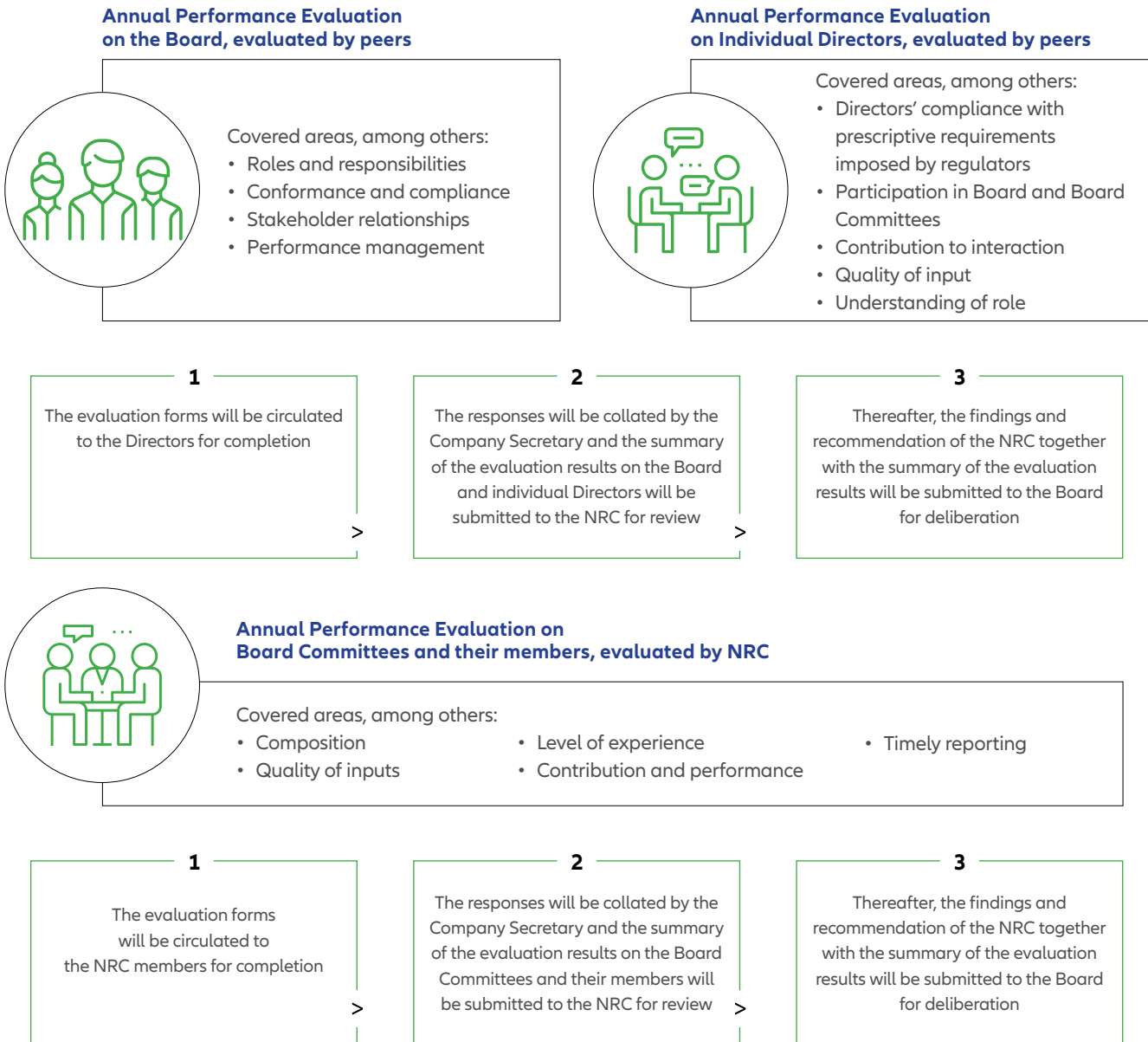


Nomination and Remuneration Committee Report

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:



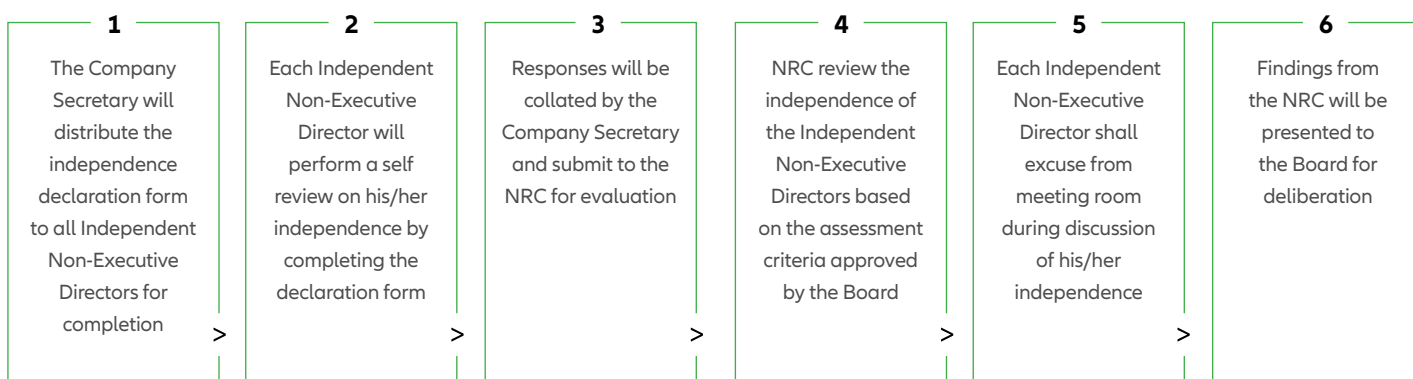
Following the recommendation by the NRC in August 2017, an external independent consultant namely Institute of Corporate Directors Malaysia ("ICDM") was engaged to perform the Board Effectiveness Assessment ("BEA") and Individual Director Evaluation ("IDE") for year 2017. ICDM had in January 2018 presented to the Board, the outcomes of the BEA and IDE including key areas for improvement.

Nomination and Remuneration Committee Report

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 Directors based on the assessment criteria approved by the Board.

The following illustrates the evaluation process of Independent Non-Executive Directors:



RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

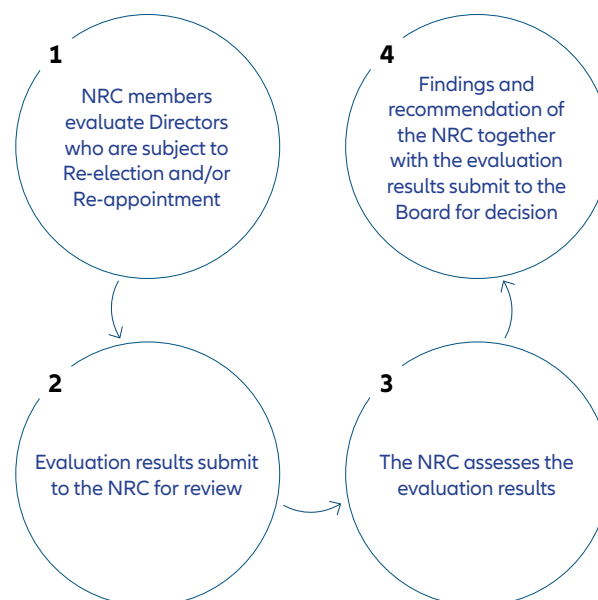
In accordance with the Company's Articles of Association (Constitution), one-third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall retire at the next following Annual General Meeting. The Company's Articles of Association (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:

- Compliance with prescriptive requirements by regulators;
- Participation in Board and Board Committees' meetings;
- Contribution to interaction;
- Quality of input; and
- 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:

- overall performance of the Group (only applicable to Executive Director);
- level of responsibility;
- expertise;
- complexity of the company's activities; and
- 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:

- annual fixed fees ("Directors' Fees"); and
- 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:

- 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
- 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

In the IDE Report prepared by ICDM in 2017, ICDM had proposed the training needs for the Directors for the next 18 to 24 months. The Company Secretary had in 2018 arranged relevant trainings for the Directors based on the comments made by the Directors as well as the training needs for the Directors proposed by ICDM.

During the financial year ended 31 December 2018, NRC members attended various conferences, seminars and training programmes. The list of the training programmes, seminars and conferences is reported in the 2018 Corporate Governance Report of the Company.

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 the NRC and meeting papers are sent to the NRC members at least one week 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. Head of Human Resources Division is invited to the NRC meeting to brief the NRC on human resource related matters.

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.

There were 7 NRC meetings held during the financial year ended 31 December 2018 and the attendance of the respective NRC members during the financial year ended 31 December 2018 was as follows:

Name of Members	No. of NRC Meetings Held	No. of NRC Meetings Attended
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	7	7
Foo San Kan	7	7
Dato' Dr. Thillainathan A/L Ramasamy	7	7
Tan Sri Datuk (Dr.) Rafiah Binti Salim	7	7
Tan Sri Razali Bin Ismail	7	3*

* 3 out of 3 meetings held prior to his retirement as Chairman of the Company on 22 May 2018.

Nomination and Remuneration Committee Report

SUMMARY OF ACTIVITIES

The following were the summary of activities carried out by the NRC during the financial year ended 31 December 2018:

New Appointment of Directors

NRC carried out evaluation on the proposed appointments of Independent Non-Executive Directors as well as Non-Independent Non-Executive Directors for the respective Boards of the Group based on the prescribed evaluation criteria and submitted its recommendations and justifications for the said proposed appointment to the respective Boards of the Group for consideration.

The respective Boards of the Group accepted the recommendations from the NRC and approved the proposed appointments of the Independent Non-Executive Directors and Non-Independent Non-Executive Directors.

A female Independent Non-Executive Director and 2 Non-Independent Non-Executive Directors comprising of 1 female Director were formally appointed to the Board of the Company on 30 May 2018.

An Independent Non-Executive Director was formally appointed to the respective Boards of the insurance subsidiaries on 1 August 2018, 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 44th Annual General Meeting held in 2018.

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 Directors was approved by the shareholders of the Company at the 44th Annual General Meeting held on 23 May 2018.

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 an Independent Non-Executive Director 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 December 2018 and January 2019 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 2018. The individual assessment on Directors of the Group were rated as "Good" and the respective Boards of the Group assessment were rated as "Excellent".

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 2018 was performed by the NRC in February 2018. 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.

Nomination and Remuneration Committee Report

NRC also carried out independence assessment on Independent Non-Executive Directors of the insurance subsidiaries for year 2018 and submitted its observations to the respective Boards of the 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, NRC reviewed the proposed 3-year succession plan for the Boards of the Group in order to comply with the requirements of the CG Policy and the requirement of the Code to have 30% woman Directors on the Board of the Company.

NRC also reviewed the appointments of Chairman of the Boards of the Group as part of succession planning and submitted its recommendations and justifications for the said proposed appointments to the respective Boards of the Group for consideration.

As at 31 December 2018, the percentage of female Directors on the Board of the Company has further increased to 43% from 20% in 2017 with the appointment of 2 female Directors on the Board of the Company during the financial year.

Krps and Employees

- a. NRC reviewed the revised 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 2017 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 2017 variable compensation and 2018 compensation for the CEOs of the insurance subsidiaries and recommended to the Boards of the insurance subsidiaries for approval.
- e. NRC reviewed the 2017 performance bonus payout and 2018 staff salary increment of the Group and recommended for the respective Boards of the Group for approval.
- f. NRC reviewed the 2018 target letters of the KRPs of the Group and recommended the same to the respective Boards of the Group for approval.
- 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 localisation of employment contract of an expatriate KRP and recommended for the respective Boards of the life insurance subsidiary and Board of the Company for approval.
- i. NRC reviewed the proposed extension of International Assignment Agreement of the CEO of the life insurance subsidiary and recommended the same to the Board of the life insurance subsidiary for consideration.
- j. NRC reviewed and recommended the proposed benefit for a KRP of the general insurance subsidiary of the Company and recommended the same to the Board of the general insurance subsidiary for consideration.
- k. NRC reviewed the proposed options for the appointment of Appointed Actuary for the general insurance subsidiary of the Company and recommended to seek exemption from BNM to outsource the role of its Appointed Actuary to an external consultant for three years (2018 to 2020) to the Board of the general insurance subsidiary for consideration.
- l. NRC reviewed the proposed re-appointment of Appointed Actuary for the life insurance subsidiary of the Company for the financial year 2019 and having satisfied with the performance of the Appointed Actuary of the life insurance subsidiary and his fulfilment with the criteria as stipulated in BNM's guidelines, recommended his re-appointment to the Board of the life insurance subsidiary for consideration.
- m. NRC reviewed the proposed engagement of an external Appointed Actuary for the general insurance subsidiary of the Company for the financial year 2018 and recommended the same to the Board of the general insurance subsidiary for consideration.

Nomination and Remuneration Committee Report

- n. NRC reviewed the 2018 Remuneration Survey by Korn Ferry Malaysia for the Group's employees.
- o. NRC reviewed the proposed segregation of Legal and Compliance function with effect from 1 February 2019 and recommended the same to the respective Boards of the Group for approval.
- p. NRC reviewed the proposed appointment of the Group Head of Compliance with effect from 1 February 2019 and recommended the same to the respective Boards of the Group for approval. NRC also recommended for the respective Boards of the insurance subsidiaries for consideration, that the respective CEOs of the insurance subsidiaries, in consultation of the Chairman of the NRC, be authorised to decide on the dedicated Head of Compliance for the respective insurance subsidiaries.
- d. NRC reviewed the proposed car benefit for the Chairman of the Company, Tan Sri Datuk (Dr.) Rafiah Binti Salim and recommended to the Board of the Company for approval.
- e. NRC reviewed the Company Car Vehicle Scheme ("CVS") for Manager Grade 3 and below and submitted its recommendation to the respective Boards of the insurance subsidiaries for approval.
- f. NRC reviewed the proposed enhancement to the CVS and submitted its recommendation to the respective Boards of the Group for approval.
- g. 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.
- h. NRC reviewed the proposed appointment of CEO of the general insurance subsidiary in statutory bodies and recommended the proposed appointment to the Board of the general insurance subsidiary for consideration.
- i. NRC reviewed the proposed adoption of Allianz Policy for Remuneration version 4.0 issued by Allianz SE and recommended to the respective Boards of the Group for approval.
- j. NRC reviewed the proposed adoption of Allianz Group Fit and Proper Policy version 4.0 issued by Allianz SE and submitted its recommendation to the respective Boards of the Group for approval.
- k. NRC noted the Employee Share Purchase Plan 2018 introduced by Allianz SE.

This NRC Report was approved by the Board on 27 March 2019.

Remuneration

NRC reviewed the Directors' fees for the financial year 2017 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 2018 until to the conclusion of the 2019 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 2017 and was satisfied with the training programmes/courses attended by the Directors for year 2017. NRC reported its observations to the Board.

Others

- a. NRC reviewed the NRC Report, prepared for inclusion in the Annual Report of the Company for the financial year 2017, and recommended to the Board of the Company for approval.
- b. 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.
- c. NRC reviewed the proposed token of appreciation to the former Chairman of the Group, Tan Sri Razali Bin Ismail and recommended to the Board of the general insurance subsidiary for approval.

Additional Compliance Information

1. MEETING ATTENDANCE RECORD FOR 2018

	Board Committee			
	Board	AC	RMC	NRC
Independent Non-Executive Directors				
Tan Sri Datuk (Dr.) Rafiah Binti Salim	6/6*	5/5	4/4	7/7*
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	6/6		4/4	7/7**
Dato' Dr. Thillainathan A/L Ramasamy	6/6	5/5	4/4	7/7
Marzida Binti Mohd Noor	3/3***			
Non-Independent Non-Executive Directors				
Tan Sri Razali Bin Ismail	1/2#			3/3#
Foo San Kan	6/6	5/5	4/4	7/7
Solmaz Altin	3/3***			
Renate Wagner	3/3***			
Independent Non-Executive Director of Subsidiaries				
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 retired as Chairman of the Board at the conclusion of the 44th Annual General Meeting of the Company on 22 May 2018 and relinquished his position as member of NRC on the same day

* Tan Sri Datuk (Dr.) Rafiah Binti Salim appointed as Chairman of the Board on 23 May 2018. She relinquished her position as Chairman of NRC and was re-designated as member of NRC on 23 May 2018

** Tunku Zain Al-'Abidin Ibni Tuanku Muhriz appointed as Chairman of NRC on 23 May 2018

*** Marzida Binti Mohd Noor, Solmaz Altin and Renate Wagner appointed as Directors of the Company on 30 May 2018

2. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2018, there were no proceeds raised from corporate proposals.

3. MATERIAL CONTRACTS

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 2018 or, had been entered into since the end of the previous financial year.

Additional Compliance Information

4. ANALYSIS OF SHAREHOLDINGS

As at 20 March 2019

4.1 ORDINARY SHARES

Number of Issued Shares	:	176,767,589
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	165	6.73	1,051	0.00
100 to 1,000	1,322	53.94	475,133	0.27
1,001 to 10,000	685	27.95	2,733,129	1.55
10,001 to 100,000	208	8.49	6,303,004	3.56
100,001 to 8,838,378*	70	2.85	51,892,977	29.36
8,838,379 and above**	1	0.04	115,362,295	65.26
Total	2,451	100.00	176,767,589	100.00

Notes:

* Less than 5% of issued shares

** 5% and above of issued shares

Substantial Shareholder

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	65.26	-	-

Director's Shareholdings

Name of Director	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Dato' Dr. Thillainathan A/L Ramasamy	-	-	6,400 [#]	[^]

Notes:

[^] Negligible[#] Deemed Interest by virtue of 6,400 ordinary shares acquired by his spouse pursuant to Section 59(11)(c) of the Companies Act 2016

Additional Compliance Information

4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 20 March 2019

4.1 ORDINARY SHARES (CONTINUED)

Thirty Largest Shareholders as in the Record of Depositors

No.	Name of Shareholders	No. of Shares Held	% of Shares
1.	CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	115,362,295	65.26
2.	PERTUBUHAN KESELAMATAN SOSIAL	5,242,122	2.97
3.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,304,900	2.44
4.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	3,612,300	2.04
5.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,913,000	1.65
6.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	2,808,400	1.59
7.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	2,711,800	1.53
8.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	2,306,900	1.31
9.	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	1,919,700	1.09
10.	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	1,895,700	1.07
11.	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK)	1,205,000	0.68
12.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	1,140,000	0.64
13.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,053,900	0.60
14.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT INCOME FUND (4850)	924,975	0.52
15.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT ASIA (EX JAPAN) QUANTUM FUND (4579)	902,050	0.51

Additional Compliance Information

4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 20 March 2019

4.1 ORDINARY SHARES (CONTINUED)

Thirty Largest Shareholders as in the Record of Depositors (continued)

No.	Name of Shareholders	No. of Shares Held	% of Shares
16.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	860,900	0.49
17.	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	844,700	0.48
18.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	838,525	0.47
19.	LIM SU TONG @ LIM CHEE TONG	802,000	0.45
20.	NEOH CHOO EE & COMPANY, SDN. BERHAD	760,500	0.43
21.	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND	660,300	0.37
22.	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	620,405	0.35
23.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AM A EQ)	600,900	0.34
24.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	579,700	0.33
25.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AM INV)	552,400	0.31
26.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY INCOME FUND	550,600	0.31
27.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MAYBANK DIVIDEND TRUST FUND (5428)	540,900	0.31
28.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR MANULIFE INVESTMENT PROGRESS FUND (4082)	527,900	0.30
29.	MAYBANK NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCE BERHAD (PAR-220082)	511,300	0.29
30.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	500,000	0.28

Additional Compliance Information

4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 20 March 2019

4.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Number of Issued ICPS	:	169,438,196
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: <ol style="list-style-type: none"> when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months; on a proposal to wind-up 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.

Distribution of ICPS Holdings

Size of Holdings	No. of ICPS Holders	% of ICPS Holders	No. of ICPS Held	% of ICPS
Less than 100	20	3.40	410	0.00
100 to 1,000	316	53.65	82,233	0.05
1,001 to 10,000	162	27.50	571,224	0.34
10,001 to 100,000	67	11.38	1,927,803	1.13
100,001 to 8,471,908*	23	3.90	22,653,658	13.37
8,471,909 and above**	1	0.17	144,202,868	85.11
Total	589	100.00	169,438,196	100.00

Notes:

* Less than 5% of issued ICPS

** 5% and above of issued ICPS

Substantial Shareholder's ICPS Holdings

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of ICPS Held	% of ICPS	No. of ICPS Held	% of ICPS
Allianz SE	144,202,868	85.11	-	-

Additional Compliance Information

4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 20 March 2019

4.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONTINUED)

Thirty Largest ICPS Holders as in the Record of Depositors

No.	Name of ICPS Holders	No. of ICPS Held	% of ICPS
1.	CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	144,202,868	85.11
2.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	5,624,400	3.32
3.	PERTUBUHAN KESELAMATAN SOSIAL	4,532,500	2.68
4.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,458,500	2.04
5.	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	2,771,000	1.64
6.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,556,458	0.92
7.	OLIVE LIM SWEE LIAN	1,079,900	0.64
8.	HSBC NOMINEES (ASING) SDN BHD CACEIS BANK FOR HMG GLOBETROTTER	687,900	0.41
9.	AU YONG MUN YUE	500,000	0.30
10.	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	285,700	0.17
11.	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	220,000	0.13
12.	LOH CHAI KIAM	204,000	0.12
13.	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	200,000	0.12
14.	DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET LUXEMBOURG FUND WLGK FOR GOODHART PARTNERS HORIZON FUND - HMG GLOBAL EMERGING MARKETS EQUITY FUND	200,000	0.12
15.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NOBLE SOUND SDN BHD (PB)	175,000	0.10

Additional Compliance Information

4. ANALYSIS OF SHAREHOLDINGS (CONTINUED)

As at 20 March 2019

4.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS") (CONTINUED)

Thirty Largest ICPS Holders as in the Record of Depositors (continued)

No.	Name of ICPS Holders	No. of ICPS Held	% of ICPS
16.	CIMSEC NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	150,000	0.09
17.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG	136,800	0.08
18.	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	133,100	0.08
19.	LIM TEAN KAU	126,000	0.07
20.	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG (E-IMO)	125,100	0.07
21.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KATHRYN MA WAI FONG (PB)	125,000	0.07
22.	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	125,000	0.07
23.	EVERGREEN ANGLE SDN BHD	123,000	0.07
24.	MAYBANK NOMINEES (TEMPATAN) SDN BHD ABERDEEN ASSET MANAGEMENT SDN BHD FOR MALAYSIAN TIMBER COUNCIL (ENDOWMENT FUND)	114,300	0.07
25.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR LOKE PIK WAH (MY0288)	100,000	0.06
26.	INSAS PLAZA SDN BHD	90,900	0.05
27.	SAI YEE @ SIA SAY YEE	73,000	0.04
28.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TEOH EWE JIN (MY0829)	72,400	0.04
29.	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR TAN KIAN LING (MY2236)	70,000	0.04
30.	GAN PUAY GEOK	60,000	0.04

Additional Compliance Information

5. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2018 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.	Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Wilayah Persekutuan		Freehold		Corporate office	16 years		
	Level 10 & 12	Head office		1,493			04/07/2016	16,576
	Level 13A	Head office		745			20/09/2017	7,673
	Level 13 & 15	Investment properties		1,493			09/08/2018	16,074
2.	Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur Wilayah Persekutuan	Branch office	Lot PT1- Leasehold Expiring 06/09/2072	3,672	Office building	37 years	17/10/2016	4,319
			Lot 263 Freehold			35 years	17/10/2016	7,323
3.	Wisma Allianz Life No. 11, 12, 13 & 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	19 years	29/09/2015	8,243
4.	No. 42 & 46, Jalan Tiara 2C Bandar Baru Klang 41150 Klang Selangor Darul Ehsan	Branch office	Leasehold Expiring 08/05/2093	1,228	Terrace shop/office	15 years	26/11/2015	4,669
5.	Unit Nos. A-G-1, A-1-1, A-2-1, A-2-2 Block A, Greentown Square Jalan Dato' Seri Ahmad Said 30450 Ipoh Perak Darul Ridzuan	Branch Office/ Investment properties	Leasehold Expiring 01/10/2102	884	Commercial building	14 years	29/09/2015	2,883
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	21 years	01/11/2016	2,541

Additional Compliance Information

5. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2018 OWNED BY THE GROUP (CONTINUED)

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.	HS (D) 39878, Lot No. PTD 17887 Mukim of Plentong, No. 84, Jalan Serampang Taman Pelangi 80400 Johor Bahru Johor Darul Takzim	Branch office	Freehold	534	3 storey terrace shop office	17 years	13/10/2016	2,425
8.	Lot 30, Block E Sedco Complex, Jalan Albert Kwok Locked Bag 69 88000 Kota Kinabalu Sabah	Branch office	Leasehold Expiring 31/12/2073	457	4-storey office building	35 years	12/10/2016	2,375
9.	No.15, Jalan 8/1D Section 8 46050 Petaling Jaya Selangor Darul Ehsan	Branch office	Leasehold Expiring 07/08/2066	697	Terrace shop/office	16 years	01/11/2016	2,096
10.	No. 487, Jalan Permatang Rawa Bandar Perdana 14000 Bukit Mertajam Penang	Branch office	Freehold	758	4-storey shop office	15 years	25/11/2015	2,023

Additional Compliance Information

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 2018 were as follows:

No.	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	(191,982)
b.	Payment of annual maintenance and support fees by the Company's insurance subsidiaries to Allianz Technology SE ("Allianz Technology") for the software system provided by Allianz Technology	**Allianz Technology	(126)
c.	Payment of fees by the Company's insurance subsidiaries to Allianz Technology for purchasing of various software licenses	**Allianz Technology	(830)
d.	Payment of fees by the Company's insurance subsidiaries to Allianz Technology for the leasing of license services of Thunderhead solution for the implementation of E-Policy	**Allianz Technology	(29)
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	674
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	(2,656)
g.	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	(234)
h.	Payment of fees by the Company's insurance subsidiaries to Allianz Investment Management SE ("AIM SE") and IDS GmbH ("IDS") for IT infrastructure and operational investment controlling and support services	**AIM SE	(180)
i.	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	(216)
j.	Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(2,140)

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 2018 were as follows:

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
k.	Payment of fees by the Company's insurance subsidiaries to Allianz SE for sharing of Global Procurement (excluding IT) services and support rendered by Allianz SE	**Allianz SE	(197)
l.	Payment of fees by the Company's insurance subsidiaries to Allianz SE Singapore Branch ("AZAP") for the business building advisory services and regional investment provided by AZAP	**AZAP	(9,615)
m.	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	(45)
n.	Payment of fees by the Company's insurance subsidiaries to Allianz SE for IT Security services	**Allianz SE	(203)
o.	Payment of service fees by the Company's general insurance subsidiary to Allianz Worldwide Partners Services Sdn Bhd ("AWP") for road assistance services provided by AWP to the policyholders of the Company's general insurance subsidiary	**AWP	(1,098)
p.	Payment of fees by the Company's general insurance subsidiaries to Allianz SE to support the development and improvement of technical excellence	**Allianz SE	(943)
q.	Payment of fees by the Company's life insurance subsidiary to Allianz SE for the development of Allianz One Finance Programme	**Allianz SE	(40)
r.	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	2,142
s.	Fees received by the Company for the provision of the regional audit services by the Company to AZAP	**AZAP	1,087
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	361

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 2018 were as follows:

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
u.	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	1,329
v.	Payment of fees by the Group to Allianz Technology for the implementation of Allianz Global Network	**Allianz Technology	(246)
w.	Payment of annual maintenance fees by the Group to Allianz Technology for SAP Central Accounting Platform/Investment Management Accounting	**Allianz Technology	(2,079)
x.	Payment of fees by AMB to Allianz Technology to support the implementation and maintenance of infrastructure for actuarial modeling and recharge of cost incurred to Allianz SE Group	**Allianz Technology	(394)
y.	Payment of fees by the Company's insurance subsidiaries to Rapidpro Consulting Sdn Bhd ("Rapidpro") for consulting and training services rendered by Rapidpro	Rapidpro	(1,258)

Notes:

* 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

Income/(Expense) as disclosed above is net of any reversal of provision during the year.

Resilience



Being resilient means being able to bounce back from a challenge and succeed in the face of adversity. Here at Allianz Malaysia, we see challenges as an opportunity for growth. Our goal is to always stay financially resilient to continuously provide the assurance and support that our customers need.



Media Highlights

ALLIANZ FINANCIALS

Allianz posts higher earnings of RM87m

KUALA LUMPUR: Allianz Malaysia Bhd's profit increased to RM87.23 million in the first quarter ended March 31 from RM67.17 million in the same period a year ago. Revenue improved 3.2 per cent to RM1.27 billion from RM1.21 billion. "This is due mainly to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively," said Allianz yesterday. The general insurance segment recorded an operating revenue of RM394.8 million.

Allianz Malaysia's quarterly net profit up

KUALA LUMPUR: Allianz Malaysia Bhd's net profit for the quarter ended 31st March 2019 increased to RM87.23 million from RM67.17 million in the corresponding period a year ago. Revenue for the quarter ended 31st March 2019 stood at RM1.27 billion from RM1.21 billion in the corresponding period a year ago. "This is due mainly to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively," said Allianz yesterday. The general insurance segment recorded an operating revenue of RM394.8 million.

LocalNews



Allianz posts higher GWP for first 9 months

KUALA LUMPUR: Allianz Malaysia Bhd reported a total of RM97.41 billion in gross written premium (GWP) for the first nine months of 2019 as compared to RM91.74 billion in the same period last year. This is an increase of 6.2%. The group's total assets grew 7.2% to RM40.7 billion from RM38.1 billion in the same period last year. Allianz said the higher revenue was mainly due to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively.



Allianz Malaysia launched its Discover A-Z campaign in Kuala Lumpur recently. The firm says its general insurance segment will continue to prioritise innovative products and services.

FINANCIAL PERFORMANCE

Allianz's net profit jumps 35pc in Q2

KUALA LUMPUR: Allianz Malaysia Bhd's net profit jumped 35.2 per cent to RM100.67 million in the second quarter ended June 30, from RM74.48 million a year ago. Revenue increased 5.2 per cent to RM1.21 billion from RM1.19 billion previously. Allianz said the higher revenue was mainly due to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively. For the six months, Allianz's net profit increased 32.5 per cent to RM177.7 million from RM133.65 million previously, while revenue jumped 7.3 per cent to RM2.35 billion, from RM2.14 billion earlier. Allianz expects some volatility

in the market, given the change in political landscape and economic policies in the short term. It said intensifying competition from the ongoing liberalisation of motor and fire tariffs was also expected to put some pressure on the industry's revenue and profits. However, it said the general insurance segment would continue to prioritise innovative products and services, and further expansion of its multi-distribution model would allow it to maintain its market leading position. Allianz said the life insurance segment had recorded a strong new business growth of 11.8 per cent in the second quarter, compared with last year. "In line with the objective of

the Life Framework, the life insurance segment will remain focused on strengthening its multi-distribution channels through professionalisation and expansion of its agency force, implementing to-lead sales process digitalisation, and increasing the productivity of the agency force." It said this year, the life business would prepare for the implementation of minimum allocation ratio for investment-linked products and balanced scenarios for life assurance channel, which were currently slated to be implemented beginning next year. Allianz said it remained confident in its long-term prospects and ability to continue delivering value to its shareholders this year.

無懼賴滅記 3年盈利可期 安聯保險估值誘人

【本報訊】安聯保險（Allianz）在2019年第一季表現強勁，淨利潤增長35.2%。安聯保險馬來西亞分公司表示，這主要是由於更高的總賺取保費和投資收入。安聯保險在2019年第一季的總資產增長了7.2%。安聯保險表示，由於市場政治環境和經濟政策的變化，短期內可能會出現一些波動。然而，安聯保險表示，其通用保險業務將繼續專注於創新產品和服務。安聯保險表示，其通用保險業務將繼續專注於創新產品和服務。安聯保險表示，其通用保險業務將繼續專注於創新產品和服務。

ALLIANZ 2018 WORLD WEALTH REPORT

"Reduced spending to impact GDP in the short term"

KUALA LUMPUR: The government's decision to reduce spending will affect the gross domestic product (GDP) in the short term, said Allianz SE, economist Michael Hoyer. He said the move would enable Malaysia to secure stability and resilience in the long run. "The country will experience economic benefits as a result of the government's move in the short to medium term," he said after presenting the Allianz 2018 World Wealth Report. Hoyer said the government should reduce the country's debt-to-GDP ratio to the level of the United States and set a new target. "The world's largest economies are giving significant support and financial support to the economy," he said.

Allianz Malaysia Q2 net profit rises to RM90mil

KUALA LUMPUR: Allianz Malaysia Bhd's net profit for the second quarter ended June 30, 2019, increased 35% to RM100.67 million from RM74.48 million in the same period a year ago. Revenue increased 5.2 per cent to RM1.21 billion from RM1.19 billion previously. Allianz said the higher revenue was mainly due to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively. For the six months, Allianz's net profit increased 32.5 per cent to RM177.7 million from RM133.65 million previously, while revenue jumped 7.3 per cent to RM2.35 billion, from RM2.14 billion earlier. Allianz expects some volatility in the market, given the change in political landscape and economic policies in the short term. It said intensifying competition from the ongoing liberalisation of motor and fire tariffs was also expected to put some pressure on the industry's revenue and profits. However, it said the general insurance segment would continue to prioritise innovative products and services, and further expansion of its multi-distribution model would allow it to maintain its market leading position. Allianz said the life insurance segment had recorded a strong new business growth of 11.8 per cent in the second quarter, compared with last year. "In line with the objective of the Life Framework, the life insurance segment will remain focused on strengthening its multi-distribution channels through professionalisation and expansion of its agency force, implementing to-lead sales process digitalisation, and increasing the productivity of the agency force." It said this year, the life business would prepare for the implementation of minimum allocation ratio for investment-linked products and balanced scenarios for life assurance channel, which were currently slated to be implemented beginning next year. Allianz said it remained confident in its long-term prospects and ability to continue delivering value to its shareholders this year.

Allianz Malaysia optimistic of growth

By BEVIN WONG

Allianz Malaysia Bhd is optimistic that it will see growth in gross written premium (GWP) in 2019. CEO Zaki Khalid Kharid said the company's revenue for the first quarter ended March 31, 2019, increased 3.2 per cent to RM1.27 billion from RM1.21 billion in the same period a year ago. "This is due mainly to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively," said Allianz yesterday. The general insurance segment recorded an operating revenue of RM394.8 million. "We are optimistic of growth in the first quarter of 2019, which is mainly due to higher gross earned premiums and investment income by RM43.9 million and RM18.6 million, respectively," said Allianz yesterday. The general insurance segment recorded an operating revenue of RM394.8 million.

安聯保險末季賺6678萬 股息120%

安聯保險在2018年第三季的淨利潤為6678萬馬幣，較去年同期增長了35.2%。安聯保險表示，這主要是由於更高的總賺取保費和投資收入。安聯保險在2018年第三季的總資產增長了7.2%。安聯保險表示，由於市場政治環境和經濟政策的變化，短期內可能會出現一些波動。然而，安聯保險表示，其通用保險業務將繼續專注於創新產品和服務。安聯保險表示，其通用保險業務將繼續專注於創新產品和服務。

Let 2019 Budget stand alone - Allianz

KUALA LUMPUR: The 2019 Budget should not be compared with the previous budgets as the new government had only taken over about six months ago, said Allianz Malaysia Bhd Chief Executive Officer, Zaki Kharid. "We know how difficult it is to do a budget and there is only so much you can do in such a short span of time. A budget is a budget and a lot of initiatives were announced by the Ministry of Finance but the real test for the government now is how well they can execute what is promised and to have the discipline to not have overruns," he said in a statement here on Saturday. Meanwhile, the founder and Chairman of Public Bank Bhd Tan Sri Dr. Teh Hong Poh said the bank applauded the government's institutional reform initiatives proposed under the Fiscal Responsibility Act. Government Procurement Act and zero-based budgeting. "Despite the economic and fiscal challenges, Budget 2019 has been crafted with wholesome and inspiring approaches to enhance the well-being of the people as well as to promote the entrepreneurial culture among businesses for Malaysia to return to the status of 'Asian Tiger'," he said. "In promoting housing for all, Tnh said Public Bank would explore all possible role in participating in this innovative mechanism to continue to support first time home buyers." -Bernama

ALLIANZ IN THE COMMUNITY

The Picha Project raih anugerah Allianz

MEMBER PENGHARGAAN
The Picha Project (The Picha Project) telah dianugerahkan anugerah Allianz sebagai projek pembangunan sosial yang berkesan dan berkesan dalam meningkatkan taraf hidup masyarakat setempat.



The Picha Project has been awarded the Allianz award for its social contribution in the area of community development. The project has been successful in improving the quality of life of the local community.

Powered to serve

2018-2019 Chong Aiik, Temuan, Pahang. Chong Aiik Air Engineering has been able to assist the residents of the village in the installation of water supply, thanks to an initiative by Allianz Malaysia. The village is the recipient of the award.



Chong Aiik Air Engineering has been able to assist the residents of the village in the installation of water supply, thanks to an initiative by Allianz Malaysia. The village is the recipient of the award.

Allyan Malaysia and Allianz

Allyan Malaysia and Allianz have been successful in their community development projects. The company has been successful in improving the quality of life of the local community.



Allyan Malaysia and Allianz have been successful in their community development projects. The company has been successful in improving the quality of life of the local community.

Money management for kids

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

In aid of Orang Asli flood victims

Allianz Malaysia employees have been successful in their community development projects. The company has been successful in improving the quality of life of the local community.



Allianz Malaysia employees have been successful in their community development projects. The company has been successful in improving the quality of life of the local community.

Financial education for young people

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

罗技雅：摩托车祸率最多 欲降低需企业帮忙

Logitech has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Logitech has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

Allianz 為難民兒童中心進行改造計劃

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

Orang Asli get solar-powered water system

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

Allianz Malaysia komited dengan program kitar semula

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

油站須改进安全措施

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

Orang Asli get solar-powered water system

Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.



Allianz has been successful in its community development projects. The company has been successful in improving the quality of life of the local community.

Media Highlights

BEST ALLIANZ

Big turnout at media game



Getting to know KL's historical sites



18 pemain beda sepak bola Sarawak selangkah lagi



Duo's once-in-a-lifetime experience in Germany

THE Allianz Junior Football Camp (AJFC) was held recently in Munich, Germany, where Malaysian teenagers Daniel Florian Chen Teck and Hassan Hafiz were selected to take part. The boys were among 14 young footballers from all over the world selected to be part of the global football event, which celebrated its 10th anniversary this year. During the camp, the players joined daily training sessions conducted by Bayern Munich youth coaches, participated in a mini tournament and also attended Florian Schwabsteiger's farewell match between Bayern Munich and Chicago Fire at the Allianz Arena. AJFC is an annual football event held globally since 2009, with AJFC Malaysia debuting in 2012 followed by AJFC Asia in 2013. For details, visit Allianz Malaysia's social media platforms at facebook.com/AllianzMalaysia, instagram.com/allianzmalaysia or the official AJFC Malaysia website www.allianzfootball.com.my



Ramli Sarip memang power

THE ALLIANCE OF MALAYSIAN MUSICAL ARTISTS (AMMA) has elected Ramli Sarip as its president for the year 2018. Ramli Sarip is a well-known Malaysian musician and singer. He has been active in the music industry for many years and has released several albums. He is also a member of the Malaysian Music Association (MMA) and has been instrumental in promoting the Malaysian music scene. The election of Ramli Sarip as president of AMMA is a testament to his leadership and dedication to the music industry. He will be responsible for overseeing the activities of the association and representing it in various forums. He is expected to continue his efforts to promote and develop the Malaysian music industry.



■新禧跑大道挑战赛吸引9000人参与，选手们难得有机会在全关闭的高速大道上享受竞跑乐趣。

【新禧跑大道10日专】2018年E10 Allfam 跑大道挑战赛圆满落幕，选手们难得有机会在全关闭的高速大道上享受竞跑乐趣。以无比的决心和意志为冲向终点。逾9000名跑者踏上赛道挑战大道（NPE），从双溪雪兰莪收费站内以及全线的收费站（Central Turn）起，一路到大都的日落曼曼收费站。E10跑大道挑战赛是由E10跑大道组委会主办，NPE Pricerun共同赞助。赛道外的保护和预防措施，以确保跑者在安全无虞地在关闭大道上竞跑，约六小时。E10跑大道挑战赛由清晨六时开始，成绩为1小时54分21秒。女子组则由西拉菲·莫德普以1小时43分31秒夺冠，两人各得1800元奖金。

Allianz Malaysia wins golf gold in Olympic-style Munich meet

Allianz Malaysia took home one gold and bronze medal from the golf event of the Allianz Sports 2018 held at Olympiapark Munich in Munich, Germany on July 19-21. Rastam Ariffin Ahmad Khairuddin clinched gold in the men's individual golf net category and a bronze in the net team event with American Kevin Sharley. Allianz Malaysia also won another bronze in the men's long jump (age 25 and above) through Mohd Haini Hafiz Abdul Halim. Allianz Malaysia was represented by an eight-man team in the eighth edition of Allianz Sports 2018, which is the Allianz Group's global multi-sport event held every four years. This year's edition featured 1,000 athletes from 62 countries competing in 12 sports.

Allianz Malaysia Berhad has two insurance subsidiaries, Allianz General Insurance Company (Malaysia) Berhad and Allianz Life Insurance Malaysia Berhad.



Over 9,000 runners take part in final leg of highway challenge



Over 9,000 runners took part in the final leg of the E10 NPE Highway Challenge. The event was held on the NPE highway and attracted a large number of participants from all over the country. The runners completed the challenge in a spirit of sportsmanship and determination. The event was organized by the E10 Pricerun and was a great success. The runners were rewarded with prizes and certificates. The event was a great opportunity for runners to test their endurance and speed. It was also a great way to promote the NPE highway and the Allianz Group's commitment to sports and fitness.

The Allianz Group is committed to promoting sports and fitness. The Allianz Sports 2018 event is a great example of this commitment. The event is held every four years and is a global multi-sport event. It is held in various cities around the world and attracts thousands of athletes from many different countries. The Allianz Group is proud to be a part of this event and to support the athletes who participate. The Allianz Group is committed to providing a safe and enjoyable experience for all participants. We are proud to be a part of the Allianz Sports 2018 event and to support the athletes who participate.

LIFE OPERATIONS

Allianz 以客為先 提供全方位保障與服務

「您與您的家人」是 Allianz 最關心的事。我們提供全面的保障與服務，為您提供安心、舒適、及高品質的保險服務。無論您身在何處，Allianz 都能為您提供最完善的保障與服務。

Allianz 提供全面的保障與服務，包括：

- 壽險
- 人壽保險
- 意外及殘疾保險
- 醫療保險
- 牙科保險
- 視力保險
- 旅遊保險
- 汽車保險
- 火險
- 水險
- 其他保險

Allianz 是您的最佳選擇。請致電 1678 8888 查詢詳情。

BRINGING OUT THE BEST IN AGENTS

Allianz equips agents with the best to "Live their Lives" and meet customer needs.

For the past several years, Allianz has been investing in its agents, equipping them with the best to "Live their Lives" and meet customer needs. This investment includes providing agents with the latest technology, training, and support. Allianz is committed to helping its agents succeed and providing the best service to its customers.

市場情報 Allianz 招聘應用程式 RMFD 摒棄繁瑣過程

Allianz 推出全新招聘應用程式 RMFD，摒棄繁瑣過程，為代理人提供更簡便、更快捷的申請渠道。代理人可透過該應用程式，隨時隨地提交申請，並可隨時查詢申請進度。Allianz 致力於為代理人提供最佳服務，協助其事業發展。



START NOW, CELEBRATE LATER

Allianz 提供全面的保障與服務，助您實現夢想。無論您身在何處，Allianz 都能為您提供最完善的保障與服務。請致電 1678 8888 查詢詳情。

Care for your heart

START caring for your heart with these simple tips:

- Move it! Don't sit. You will find that keeping fit will get your heart rate up and keep stress levels down.
- Eat right! Portion control, healthy fats, and a balanced meal.
- Catch those Z's! Sleep the recommended six hours a day. Studies have also shown that sleep gained before midnight is the most beneficial to health.
- Say "No" to "It's smoking!" Smoking kills. Snuff that bud before it's too late and give your heart a new lease of life.
- Agart from taking care of your heart, getting adequate medical coverage is equally important. Allianz PrimeCare is a protection plan that provides comprehensive coverage against critical illnesses from an early to advanced stage, while Allianz ZH Cover offers a lifetime to those currently experiencing these "3-Highs" — high cholesterol, high blood pressure or a high Body Mass Index.

Both products provide coverage against critical illnesses including heart-related ailments such as heart attacks. Details at allianz.com.my/primecare or allianz.com.my/zhcover.

信託基金計劃講座

信託基金計劃是為您的資產提供最佳保障。透過信託基金計劃，您可以將您的資產交由信託公司管理，確保您的資產得到妥善保護。Allianz 提供全面的信託基金計劃，助您實現財富傳承。

安聯人壽：為慢性病患者帶來醫療曙光

Allianz 提供全面的保障與服務，助您實現夢想。無論您身在何處，Allianz 都能為您提供最完善的保障與服務。請致電 1678 8888 查詢詳情。

4 VERY REAL REASONS TO BUY HEALTH INSURANCE TODAY

Allianz 提供全面的保障與服務，助您實現夢想。無論您身在何處，Allianz 都能為您提供最完善的保障與服務。請致電 1678 8888 查詢詳情。

Allianz mula urus MCO secara berperingkat

Allianz 提供全面的保障與服務，助您實現夢想。無論您身在何處，Allianz 都能為您提供最完善的保障與服務。請致電 1678 8888 查詢詳情。

Allianz Life Insurance Malaysia

Allianz 提供全面的保障與服務，助您實現夢想。無論您身在何處，Allianz 都能為您提供最完善的保障與服務。請致電 1678 8888 查詢詳情。

Media Highlights

PROPERTY AND CASUALTY OPERATIONS

大马Allianz核批220万令吉 中期付款给水灾灾民

Allianz 理赔保能 (马) 有限公司 (简称Allianz保能) 已核准220万令吉的中期付款 (interim payments) 给槟城、吉打和霹靂的水灾灾民。该公司在过去两周接获338宗索赔案件，赔偿近百在北马所发生的洪灾事故。公司已加快索赔程序，批款5万令吉以下的住家索赔可当场获得批准，以及加快处理核准5万令吉以下的商业索赔。



Keperluan insurans kembara

A Listing for various insurance products including travel insurance, health insurance, and life insurance.



BANTUAN KEMALANGAN PERCUMA

Allianz Road Rangers bertujuan hilangkan tekanan, percepat proses monunggu

Allianz Road Rangers offers free emergency assistance to policyholders. The service aims to reduce the pressure on customers and speed up the claims process. It provides 24-hour assistance for various emergencies, including accidents, breakdowns, and theft.



Insured Allianz's (Insured) can be used to assist in any emergency. The service is available 24/7 and can be accessed via the Allianz mobile app or website. It provides a range of services, including towing, roadside assistance, and emergency repairs.

FIRE INSURANCE TAKING THE HEAT OFF YOU

The purchase of fire insurance in addition to home/content or property insurance helps to cover the cost of replacement, repair or reconstruction of property.



A NEW KIND OF HOME INSURANCE

Allianz's Smart Home Cover is Malaysia's first customizable home insurance policy that provides mortgage loan protection and standard insurance.



Insurance company offers customers peace of mind

Allianz offers a range of insurance products to help customers protect their assets and provide peace of mind. The company's services are designed to be comprehensive and tailored to individual needs.

Insurer's motor accident assistance service now available in Terengganu

Allianz has expanded its motor accident assistance service to include Terengganu. The service provides 24-hour support for policyholders involved in accidents, including medical assistance, legal support, and vehicle repairs.



Allianz Road Rangers is there for you. The company has been recognized for its commitment to customer service and excellence in the insurance industry.



Allianz is committed to providing high-quality insurance services and excellent customer support. The company's dedication to its customers is a key part of its success.



Allianz's Smart Home Cover is a revolutionary new insurance product that offers customizable coverage for homeowners. It includes mortgage loan protection and standard home insurance, providing comprehensive protection for your home and investment.



FINANCIAL STATEMENTS

Directors' Report	158
Statements of Financial Position	163
Statements of Profit or Loss	164
Statements of Profit or Loss and Other Comprehensive Income	165
Consolidated Statement of Changes in Equity	166
Statements of Changes in Equity	168
Statements of Cash Flows	169
Notes to the Financial Statements	172
Statement by Directors	299
Statutory Declaration	300
Independent Auditors' Report	301

Directors' Report

for the year ended 31 December 2018

The Directors have pleasure in submitting their report and the audited financial statements of the Group (Allianz Malaysia Berhad and its subsidiaries) and of the Company for the financial year ended 31 December 2018.

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
Net profit for the year attributable to owners of the Company	377,021	156,347

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 2017:
- a single tier interim dividend of 14.40 sen per Irredeemable Convertible Preference Shares ("ICPS") totalling RM24,627,000 were paid on 14 February 2018; and
 - a single tier interim dividend of 12.00 sen per ordinary share totalling RM21,022,000 were paid on 14 February 2018.
- (ii) In respect of the financial year ended 31 December 2018:
- a single tier interim dividend of 48.00 sen per ICPS totalling RM81,368,000 were paid on 15 February 2019; and
 - a single tier interim dividend of 40.00 sen per ordinary share totalling RM70,675,000 were paid on 15 February 2019.

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.

Directors' Report

for the year ended 31 December 2018

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Datuk (Dr.) Rafiah Binti Salim (Appointed as Chairman on 23 May 2018)

Foo San Kan

Dato' Dr. Thillainathan A/L Ramasamy

Tunku Zain Al-Abidin Ibni Tuanku Muhriz

Marzida Binti Mohd Noor (Appointed on 30 May 2018)

Solmaz Altin (Appointed on 30 May 2018)

Renate Wagner (Appointed on 30 May 2018)

Tan Sri Razali Bin Ismail (Retired on 22 May 2018)

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 during the period from the end of the financial year to the date of the report is as follows:

Allianz Life Insurance Malaysia Berhad

Foo San Kan
(Chairman)

Dato' Dr. Thillainathan A/L Ramasamy

Goh Ching Yin

Peter Ho Kok Wai
(Appointed on 1 August 2018)

Joseph Kumar Gross

Tan Sri Razali Bin Ismail
(Retired on 22 May 2018)

Tan Sri Datuk (Dr.) Rafiah Binti Salim
(Resigned on 1 August 2018)

Tunku Zain Al-Abidin Ibni Tuanku Muhriz
(Resigned on 1 August 2018)

Allianz General Insurance Company (Malaysia) Berhad

Tan Sri Datuk (Dr.) Rafiah Binti Salim
(Chairman)

Tunku Zain Al-Abidin Ibni Tuanku Muhriz

Goh Ching Yin

Peter Ho Kok Wai
(Appointed on 1 August 2018)

Zakri Bin Mohd Khir

Tan Sri Razali Bin Ismail
(Retired on 22 May 2018)

Foo San Kan
(Resigned on 1 August 2018)

Dato' Dr. Thillainathan A/L Ramasamy
(Resigned on 1 August 2018)

Directors' Report

for the year ended 31 December 2018

DIRECTORS' INTERESTS IN SHARES

The interests and deemed interests in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in Register of Directors' Shareholdings are as follows:

Interests in the Company:	Number of ordinary shares			At
	At 1.1.2018	Bought	Sold	31.12.2018
Dato' Dr. Thillainathan A/L Ramasamy*	-	6,400	-	6,400

Interest in the ultimate holding company, Allianz SE:	Number of registered shares**			At
	At 1.1.2018	Bought	Sold	31.12.2018
Renate Wagner	268***	-	-	268

* Deemed interest by virtue of shares acquired by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

** The shares have no par value.

*** As at appointment date as Director on 30.5.2018.

Saved as disclosed above, none of the other Directors holding office as at 31 December 2018 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 Note 27.2 to 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.

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.

Directors' Report

for the year ended 31 December 2018

ISSUE OF SHARES

During the financial year, the Company increased its ordinary shares to 176,688,439 by the issuance of 2,105,501 ordinary shares pursuant to the conversion of 2,105,501 ICPS. Accordingly, the ICPS of the Company was reduced to 169,517,346 as at 31 December 2018. As at 31 December 2018, 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 RM52,831.

There were no indemnity given to, or insurance effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year. However, in the ordinary course of business of a subsidiary in the underwriting of all classes of general insurance business, provided a professional indemnity insurance to its auditors during the financial year.

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.

Directors' Report

for the year ended 31 December 2018

OTHER STATUTORY INFORMATION (CONTINUED)

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 39 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 2018 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.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept re-appointment as auditors.

The auditors' remuneration is disclosed in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

.....
Tan Sri Datuk (Dr.) Rafiah Binti Salim
Director

.....
Dato' Dr. Thillainathan A/L Ramasamy
Director

Kuala Lumpur

Date: 21 February 2019

Statements of Financial Position

as at 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Assets					
Property, plant and equipment	3	113,528	119,853	852	1,012
Intangible assets	4	359,264	360,600	-	-
Investment properties	5	19,914	19,914	-	-
Investments in subsidiaries	6	-	-	961,088	961,088
Subordinated loan	7	-	-	54,300	54,300
Deferred tax assets	17	14,051	23,275	-	-
Reinsurance assets	8	904,004	908,436	-	-
Investments	9	14,249,398	13,732,581	2,016	9,873
Derivative financial assets	10	26,059	25,537	-	-
Current tax assets		6,461	803	-	-
Insurance receivables	11	228,103	250,125	-	-
Other receivables, deposits and prepayments	12	149,117	126,600	182,759	85,229
Deferred acquisition costs	13	95,060	94,056	-	-
Cash and cash equivalents		1,239,635	934,897	9,524	43,745
Total assets		17,404,594	16,596,677	1,210,539	1,155,247
Equity					
Share capital					
– Ordinary shares	14	231,964	225,268	231,964	225,268
– Irredeemable Convertible Preference Shares	14	539,065	545,761	539,065	545,761
Reserves	15	2,590,668	2,364,484	284,448	280,145
Total equity attributable to owners of the Company		3,361,697	3,135,513	1,055,477	1,051,174
Liabilities					
Insurance contract liabilities	16	12,323,590	11,957,065	-	-
Deferred tax liabilities	17	250,267	234,743	142	183
Derivative financial liabilities	10	2,413	5,251	-	-
Insurance payables	18	427,770	430,764	-	-
Other payables and accruals	19	569,367	494,455	154,798	103,790
Life insurance benefits and claims liabilities		466,283	331,296	-	-
Current tax liabilities		3,207	7,590	122	100
Total liabilities		14,042,897	13,461,164	155,062	104,073
Total equity and liabilities		17,404,594	16,596,677	1,210,539	1,155,247

The accompanying notes form an integral part of these financial statements.

Statements of Profit or Loss

for the year ended 31 December 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Operating revenue	20	5,181,929	4,800,990	162,863	83,806
Gross earned premiums	21(a)	4,547,016	4,233,736	-	-
Premiums ceded to reinsurers	21(b)	(366,724)	(305,453)	-	-
Net earned premiums		4,180,292	3,928,283	-	-
Investment income	22	634,913	567,254	162,863	83,806
Realised gains and losses	23	(21,192)	51,774	(2)	98
Fair value gains and losses	24	(313,675)	193,821	-	-
Fee and commission income	25(a)	28,675	37,926	-	-
Other operating income		29,363	25,741	249	558
Other income		358,084	876,516	163,110	84,462
Gross benefits and claims paid	26(a)	(2,448,915)	(2,340,172)	-	-
Claims ceded to reinsurers	26(b)	211,441	366,091	-	-
Gross change in contract liabilities	26(c)	(503,073)	(1,035,123)	-	-
Change in contract liabilities ceded to reinsurers	26(d)	(104)	(65,168)	-	-
Net benefits and claims		(2,740,651)	(3,074,372)	-	-
Fee and commission expense	25(b)	(685,462)	(651,756)	-	-
Management expenses	27	(554,879)	(603,825)	(5,678)	(4,903)
Other operating expenses		(38,400)	(37,563)	(321)	(2,556)
Other expenses		(1,278,741)	(1,293,144)	(5,999)	(7,459)
Profit before tax		518,984	437,283	157,111	77,003
Tax expense	28	(141,963)	(149,321)	(764)	(537)
Profit for the year		377,021	287,962	156,347	76,466
Profit for the year attributable to:					
Owners of the Company		377,021	287,962	156,347	76,466
Basic earnings per ordinary share (sen)	29(a)	167.90	151.19	-	-
Diluted earnings per ordinary share (sen)	29(b)	109.09	83.28	-	-

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 2018

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Profit for the year		377,021	287,962	156,347	76,466
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets					
Net gains/(losses) arising during the financial year		(72,290)	154,172	-	-
Realised gains transferred to profit or loss		(31,922)	(22,319)	-	-
Gains on cash flow hedge		3,220	(3,246)	-	-
Tax effects thereon		7,813	(13,160)	-	-
Change in insurance contract liabilities arising from net fair value change on					
AFS financial assets		105,813	(113,866)	-	-
Cash flow hedge reserve	16(a)	(3,220)	3,246	-	-
Tax effects thereon		(8,207)	8,850	-	-
Total other comprehensive income for the year, net of tax		1,207	13,677	-	-
Total comprehensive income for the year, net of tax		378,228	301,639	156,347	76,466
Total comprehensive income attributable to:					
Owners of the Company		378,228	301,639	156,347	76,466

The accompanying notes form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Group	Note	Irredeemable convertible preference shares		Non-distributable			Distributable			Total equity RM'000
		Ordinary shares RM'000	RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	participating fund surplus* RM'000	Retained earnings-life non-	Retained earnings RM'000	
At 1 January 2017		173,707	172,499	424,823	41,934	(3,508)	524,516	1,545,552	2,879,523	
Total other comprehensive income for the year		-	-	-	-	13,677	-	-	13,677	
Profit for the year		-	-	-	-	-	87,329	200,633	287,962	
Total comprehensive income for the year		-	-	-	-	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	30	-	-	-	-	-	-	(45,649)	(45,649)	
Total transactions with owners of the Company		51,561	373,262	(424,823)	-	-	-	(45,649)	(45,649)	
At 31 December 2017		225,268	545,761	-	41,934	10,169	611,845	1,700,536	3,135,513	
	Note 14	Note 14	Note 14	Note 15.1	Note 15.1	Note 15.2	Note 15	Note 15	Note 15	

Consolidated Statement of Changes in Equity

for the year ended 31 December 2018

Group	Note	Attributable to owners of the Company				Retained earnings- life non- participating fund surplus* RM'000	Total equity RM'000
		Irredeemable convertible preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000		
At 1 January 2018		225,268	-	41,934	10,169	611,845	3,135,513
Total other comprehensive income for the year		-	-	-	1,207	-	1,207
Profit for the year		-	-	-	-	141,058	377,021
Total comprehensive income for the year		-	-	-	1,207	141,058	378,228
<i>Contributions by and distributions to owners of the Company</i>							
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	30	6,696	-	-	-	-	-
Dividends to owners of the Company		-	-	-	-	-	(152,044)
Total transactions with owners of the Company		6,696	-	-	-	-	(152,044)
At 31 December 2018		231,964	-	41,934	11,376	752,903	3,361,697

* Non-distributable retained earnings comprise of non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

The accompanying notes form an integral part of these financial statements.

Statement of Changes in Equity

for the year ended 31 December 2018

Company	Note	Attributable to owners of the Company				
		Share capital RM'000	Irredeemable convertible preference shares RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2017		173,707	172,499	424,823	249,328	1,020,357
Profit for the year		-	-	-	76,466	76,466
Total comprehensive income for the year		-	-	-	76,466	76,466
<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	30	-	-	-	(45,649)	(45,649)
Total transactions with owners of the Company		51,561	373,262	(424,823)	(45,649)	(45,649)
At 31 December 2017/1 January 2018		225,268	545,761	-	280,145	1,051,174
Profit for the year		-	-	-	156,347	156,347
Total comprehensive income for the year		-	-	-	156,347	156,347
<i>Contributions by and distributions to owners of the Company</i>						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		6,696	(6,696)	-	-	-
Dividends to owners of the Company	30	-	-	-	(152,044)	(152,044)
Total transactions with owners of the Company		6,696	(6,696)	-	(152,044)	(152,044)
At 31 December 2018		231,964	539,065	-	284,448	1,055,477
		Note 14	Note 14	Note 14.3	Note 15	

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash flows from operating activities				
Profit before tax	518,984	437,283	157,111	77,003
<i>Adjustments for:</i>				
Investment income	(634,913)	(567,254)	(162,863)	(83,806)
Interest income	(662)	(905)	-	-
Interest expense	3,520	4,689	115	2,335
Gain on capital return on winding up of a subsidiary	-	-	-	(286)
Realised losses/(gains) for financial assets recorded in profit or loss	21,190	(51,567)	-	-
Fair value losses/(gains) on financial assets recorded in profit or loss	236,871	(202,812)	-	-
Purchase of available-for-sale ("AFS") financial investments	(1,107,398)	(1,251,562)	-	-
Maturity of AFS financial investments	539,488	292,500	-	-
Proceeds from sale of AFS financial investments	621,474	589,362	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	(515,041)	(698,667)	-	-
Maturity of DUIR financial investments	297,500	190,000	-	-
Proceeds from sale of DUIR financial investments	29,878	124,963	-	-
Purchase of held for trading ("HFT") financial investments	(1,207,619)	(1,179,071)	-	-
Maturity of HFT financial investments	80,000	57,500	-	-
Proceeds from sale of HFT financial investments	444,848	586,952	-	-
Purchase of derivative financial investments	-	(442)	-	-
Change in loans and receivables	(132,287)	269,199	-	(9,718)
Change in amortised cost investment assets	-	-	7,718	-
Change in fair value of investment properties	-	2,409	-	-
Unrealised foreign exchange loss	902	2,008	-	-
Depreciation of property, plant and equipment	16,618	16,776	287	277
Amortisation of intangible assets	17,631	18,412	-	-
Loss/(Gain) on disposal of property, plant and equipment	2	(207)	2	(98)
Impairment loss on AFS financial investments	76,804	6,582	-	-
Property, plant and equipment written off	509	12	3	-
Insurance and other receivables:				
- Bad debts written off	3,080	1,517	-	-
- (Reversal of)/Allowance for impairment loss	(13)	37,557	-	-
- Bad debts recovered	(83)	(193)	-	-
Operating (loss)/gain before changes in working capital	(688,717)	(1,314,959)	2,373	(14,293)

Statements of Cash Flows

for the year ended 31 December 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Changes in working capital:				
Change in reinsurance assets	4,432	72,474	-	-
Change in insurance receivables	20,308	(18,798)	-	-
Change in other receivables, deposits and prepayments	(23,791)	7,467	(17,555)	1,050
Change in deferred acquisition costs	(1,004)	(7,128)	-	-
Change in insurance contract liabilities	460,911	1,086,791	-	-
Change in insurance payables	(2,994)	58,314	-	-
Change in other payables and accruals	20,549	47,631	54	(197)
Change in life insurance benefits and claims liabilities	134,987	77,570	-	-
Cash (used in)/generated from operations	(75,319)	9,362	(15,128)	(13,440)
Tax paid	(119,443)	(120,646)	(784)	(243)
Dividends received	57,687	52,824	79,625	60,288
Interest income received	570,115	499,185	3,405	4,103
Net cash from operating activities	433,040	440,725	67,118	50,708
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	173	510	-	98
Acquisition of property, plant and equipment	(14,823)	(13,666)	(136)	(689)
Acquisition of intangible assets	(12,449)	(81,497)	-	-
Proceeds from winding up of a subsidiary	-	-	-	514
Net cash used in investing activities	(27,099)	(94,653)	(136)	(77)
Cash flows from financing activities				
Dividends paid to owners of the Company	(45,649)	(34,263)	(45,649)	(34,263)
Repayment of advance to holding company	(54,300)	-	(54,300)	-
Interest paid	(1,254)	(2,349)	(1,254)	(2,349)
Net cash used in financing activities	(101,203)	(36,612)	(101,203)	(36,612)
Net increase/(decrease) in cash and cash equivalents	304,738	309,460	(34,221)	14,019
Cash and cash equivalents at 1 January	934,897	625,437	43,745	29,726
Cash and cash equivalents at 31 December	1,239,635	934,897	9,524	43,745
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	1,163,241	837,382	7,489	40,623
Cash and bank balances	76,394	97,515	2,035	3,122
	1,239,635	934,897	9,524	43,745

Included in the fixed and call deposits are RM74,415,000 (2017: RM78,350,000) 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.

Statements of Cash Flows

for the year ended 31 December 2018

GROUP AND COMPANY

Reconciliation of liabilities arising from financing activities

	2018 RM'000 Principal	2018 RM'000 Interest payable	2017 RM'000 Principal	2017 RM'000 Interest payable
Advance from holding company				
At 1 January	54,300	1,139	54,300	1,126
Interest charge	-	115	-	2,362
Interest paid	-	(1,254)	-	(2,349)
Repayment of advance to holding company	(54,300)	-	-	-
At 31 December	-	-	54,300	1,139

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 2018 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 2018 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 21 February 2019.

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 and the requirements of the Companies Act 2016 in Malaysia.

Except for MFRS 9, *Financial Instruments* which was adopted by the Company only for the first time for the financial year beginning on or after 1 January 2018, the following are accounting standards, amendments to standards and interpretations that have been issued by Malaysian Accounting Standards Board ("MASB") for the financial year beginning on or after 1 January 2018 and adopted by the Group and the Company:

- MFRS 15, *Revenue from Contracts with Customers*
- Amendments to MFRS 4 – Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Annual Improvements to MFRSs 2014-2016 Cycle: MFRS 128, *Investments in Associates and Joint Ventures*

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods or services is transferred to customer, moving from the transfer of risks and rewards.

The initial application of MFRS 15 does not have any material financial impacts to the current period and prior period financial statements of the Group and the Company.

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, effective for annual periods beginning on or after 1 January 2018. The standard eliminates the existing MFRS 139 categories of held to maturity, loans and receivables and available for sale.

Notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRS 9, *Financial Instruments* (continued)

Company

The Company has adopted MFRS 9 for the first time in the 2018 financial statements, which resulted in changes in accounting policies as disclosed in Note 2.6.6.

The financial assets held by the Company as at 31 December 2018 have been reclassified into the following classifications:

Company's financial assets	Original classification under MFRS 139	Original carrying amount RM'000	New classification under MFRS 9	New carrying amount RM'000
Subordinated loans	Loans and Receivables ("L&R")	54,300	Amortised Cost ("AC")	54,300
Investments	L&R	2,000	AC	2,000
Other receivables and deposits	L&R	182,759	AC	182,759
Cash and cash equivalents	L&R	9,524	AC	9,524

In respect of impairment of financial assets, MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt instruments measured at fair value through other comprehensive income, but not to investments in equity instruments. The Company has assessed that there is no significant impact upon initial application of MFRS 9 arising from ECL on financial assets measured at amortised cost of the Company.

The Company has applied MFRS 9 retrospectively with the date of initial application of 1 January 2018. In accordance with the transitional provisions provided in MFRS 9, comparative information for 2018 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139. The cumulative effects of initially applying MFRS 9 by the Company were immaterial to be adjusted for to the opening balance of retained earnings as at 1 January 2018.

There were no changes to the Company's classification and measurement of the financial liabilities on the adoption of MFRS 9.

Group

The Group has applied the temporary exemption under Amendments to MFRS 4 – Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence, the Group has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

Amendments to MFRS 4 – Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts*

The amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9 before the forthcoming new insurance contracts standard.

The amendments provide 2 different approaches for the Group:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional.

Notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

Group (continued)

Amendments to MFRS 4 – Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

An entity can apply the temporary exemption from MFRS 9 from annual periods beginning on or after 1 January 2018 and may start applying the overlay approach when it applies MFRS 9 for the first time.

The Group's business activity is predominantly insurance as the liabilities connected with the Group's insurance businesses made up of more than 90% of the Group's total liabilities. Hence, the Group qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17 for the financial year beginning on or after 1 January 2021.

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Group's financial assets by their contractual cash flows characteristics, which indicate if they are solely payments of principal and interest on the principal outstanding ("SPPI"):

Fair value as at 31 December 2018	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Investments (Note 9)	6,455,109	7,703,026	14,158,135
Malaysian government securities and government guaranteed bonds	4,263,836	2,708,220	6,972,056
Unquoted bonds of corporations	1,606,998	3,185,717	4,792,715
Quoted equity securities and unit trusts	-	1,462,377	1,462,377
Unquoted equity securities and unit trusts	-	244,031	244,031
Negotiable certificates of deposits and structured deposits	61,606	102,681	164,287
Government guaranteed loans	190,504	-	190,504
Mortgage loans	165	-	165
Fixed and call deposits with licensed banks	332,000	-	332,000
Derivative financial assets	-	26,059	26,059
Other receivables and deposits	149,117	-	149,117
Cash and cash equivalents	1,239,635	-	1,239,635
	7,843,861	7,729,085	15,572,946

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans and deferred acquisition cost have been excluded from the above assessment as they will be under the scope of MFRS 17, *Insurance Contracts*. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

Notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

Amendments to MFRS 4 – Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Group (continued)

Changes in fair value during the year	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Investments			
Malaysian government securities and government guaranteed bonds	10,739	12,269	23,008
Unquoted bonds of corporations	4,158	13,113	17,271
Quoted equity securities and unit trusts	-	(382,253)	(382,253)
Unquoted equity securities and unit trusts	-	(826)	(826)
Negotiable certificates of deposits and structured deposits	(96)	(1,307)	(1,403)
Government guaranteed loans	-	-	-
Mortgage loans	(1,952)	-	(1,952)
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	6,071	6,071
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	12,849	(352,933)	(340,084)

Notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

Amendments to MFRS 4 – Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* (continued)

Group (continued)

Financial assets with SPPI cash flows*

Gross carrying amounts under MFRS 139 by credit risk rating grades	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	Total RM'000
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	4,263,836	-	4,263,836
Unquoted bonds of corporations	891,908	711,341	-	11,097	-	-	-	1,614,346
Negotiable certificates of deposits and structured deposits	61,606	-	-	-	-	-	-	61,606
Government guaranteed loans	-	-	-	-	-	190,504	-	190,504
Mortgage loans	-	-	-	-	-	165	-	165
Fixed and call deposits with licensed banks	193,095	80,808	-	-	-	-	58,097	332,000
Other receivables and deposits	-	-	-	-	-	149,117	-	149,117
Cash and cash equivalents	612,604	419,209	2,663	-	-	537	204,622	1,239,635
	1,759,213	1,211,358	2,663	11,097	-	4,604,159	262,719	7,851,209

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Group and the Company for the first time for the financial year beginning on or after 1 January 2018 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (“MASB”) but not yet effective and have not been early adopted by the Group and the Company:

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*
- Amendments to MFRS 119, *Employee Benefits – Plan Amendment, Curtailment or Settlement*

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*.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

Group

The Group is in the midst of finalising the initial assessment of the potential impact on its consolidated financial statements. The impact of applying MFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the borrowing rate, the composition of the lease portfolio at that date, the latest assessment of whether the Group will exercise any lease renewal options, and the extent to which the Group choose to use practical expedients and recognition exemptions. The most significant impact identified is that the Group will recognise new assets and liabilities for its operating leases. As at 31 December 2018, the Group’s future minimum lease payments under non-cancellable operating leases amounting to RM21,995,000 on an undiscounted basis (see Note 31). The Group will adopt MFRS 16 on 1 January 2019, using the modified retrospective approach.

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 2019 (continued)

MFRS 16, Leases (continued)

Company

The initial application of MFRS 16 is not expected to have any material financial impact to the current period and prior period financial statements of the Company.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101, *Presentation of Financial Statements – Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

MFRS 17, Insurance Contracts

MFRS 17 replaces the guidance in MFRS 4, Insurance Contracts.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue from Contracts with Customers". Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- (a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less; and
- (b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 17.

Except as mentioned above, the initial application of other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 January 2019 are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

Notes to the financial statements

1. BASIS OF PREPARATION (CONTINUED)

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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is 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 2.24.1 – Valuation of general insurance claims liabilities
- Note 2.24.2 – Valuation of life actuarial liabilities
- Note 2.24.3 – Impairment of goodwill

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.24.

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 Group and 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

2.1.1 Subsidiaries (continued)

Investments in subsidiaries are measured in the Company's separate 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.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

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 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.

2.1.4 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 from settlement of foreign currency transactions and from retranslation of monetary assets and liabilities 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.

2.3 Property, plant and equipment

2.3.1 Recognition and measurement

All items of property, plant and equipment except for work-in-progress are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. Work-in-progress is stated at cost less accumulated impairment.

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.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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 credited to revaluation reserve account via the statement of other comprehensive income. 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.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (continued)

2.3.1 Recognition and measurement (continued)

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.

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	2 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets

2.4.1 Goodwill

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses. See accounting policy in Note 2.7.3 to the financial statements on impairment of goodwill.

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. See accounting policy 2.7.3 on impairment of goodwill.

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 to 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 charged to profit or loss over 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 the leased assets are not recognised on the statements of financial position.

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

Group

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

Group (continued)

2.6.2 Financial instruments categories and subsequent measurement

The Group categorises and measures 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)

Group (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 2.6.5 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.

2.6.3 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

Group (continued)

2.6.4 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.

2.6.5 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.

2.6.6 Company – Accounting policies applied from 1 January 2018

Accounting policies applied by the Company until 31 December 2017 are the same as those applied by the Group.

Classification

The Company classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- (b) those to be measured at amortised cost.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

Group (continued)

2.6.6 Company – Accounting policies applied from 1 January 2018 (continued)

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company’s business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Company can classify its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in realised gains and losses together with foreign exchange gains and losses. Impairment losses are included in other operating expenses.

(b) Fair value through other comprehensive income (“FVOCI”)

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in realized gains and losses. Interest income from these financial assets is included in investment income using the effective interest rate method. Impairment expenses are included in other operating expenses.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

Group (continued)

2.6.6 Company – Accounting policies applied from 1 January 2018 (continued)

Debt instruments (continued)

(c) Fair value through profit or loss (“FVTPL”)

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within fair value gains and losses in the period which it arises.

Subsequent measurement – Impairment

The Company assesses on a forward looking basis the expected credit loss (“ECL”) associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has the following types of financial assets that are subject to the ECL model:

- Subordinated loan
- Investments
- Other receivables
- Cash and cash equivalents

While the above financial assets are subject to the impairment requirements of MFRS 9, the assessed impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for ECL

At each reporting date, the Company measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

Group (continued)

2.6.6 Company – Accounting policies applied from 1 January 2018 (continued)

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis. Subordinated loan to subsidiary is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

Group (continued)

2.6.6 Company – Accounting policies applied from 1 January 2018 (continued)

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

2.7 Impairment

2.7.1 Financial assets, excluding insurance receivables (Group)

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.

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

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.

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.3 Other assets (continued)

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.

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

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 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.

2.10 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

2.10.1 Ordinary share capital

Ordinary share capital is classified as equity.

2.10.2 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.

2.10.3 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and accounted for in the equity as an appropriation of retained earnings when they are approved for payment.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

2.11 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 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.

2.12 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.

2.13 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 subsidiaries (the insurer) have 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 subsidiaries determine whether they have 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.

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Product classification (continued)

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. Surplus of contracts without DPF is attributable wholly to shareholders and is classified as an equity of the Group.

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.

2.14 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 subsidiaries from their obligations to policyholders. Premiums ceded and claims reimbursed/recoveries are recognised in the same accounting period as the original policy/contract in which the reinsurance relates, and are presented on a gross basis for both ceded and assumed reinsurance in the statement of profit or loss and statement of financial position.

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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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.

2.15.1 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 General insurance underwriting results (continued)

2.15.1 Premium income (continued)

(b) Reinsurance premiums (continued)

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.

2.15.2 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

2.15.3 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.

2.15.4 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 General insurance underwriting results (continued)

2.15.5 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 2.24.1). 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") at a 75% confidence letter as required by BNM, 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 at a 75% confidence letter as required by BNM, 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.

2.16 Life insurance underwriting results

2.16.1 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.

2.16.2 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)

2.16 Life insurance underwriting results (continued)

2.16.3 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.

2.16.4 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.

2.16.5 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 2.24.2). 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance underwriting results (continued)

2.16.5 Life insurance contract liabilities (continued)

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.

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 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.

2.18 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.

2.19 Other revenue recognition

The following specific recognition criteria must also be met before revenue is recognised.

2.19.1 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2.19.2 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Other revenue recognition (continued)

2.19.3 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.

2.19.4 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.

2.20 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.

2.21 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 in full 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Income tax (continued)

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.

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.

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.

2.22 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. The profit or loss attributable to ordinary shareholders is adjusted for the after tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

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.

2.23 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.

2.24 Significant accounting judgements, estimates and assumptions

2.24.1 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Significant accounting judgements, estimates and assumptions (continued)

2.24.1 Valuation of general insurance claims liabilities (continued)

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 Company has not yet been notified. The valuation of IBNR reserves is carried out by an Appointed Actuary approved by BNM using professional judgement in applying actuarial methodology and assumptions, based on the Company's current and past claims experience, taking into account the Company'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.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 36.2.

2.24.2 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.

Notes to the financial statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Significant accounting judgements, estimates and assumptions (continued)

2.24.2 Valuation of life insurance contract liabilities (continued)

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.

There are several sources of uncertainty in the estimation of these liabilities, including future mortality and morbidity rates, expenses, persistency and discount rates. These key assumptions used are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 36.1.

2.24.3 Impairment of goodwill

The Group assesses the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 2.7.3. The recoverable amounts of the goodwill are determined based on the value in use method, which requires the use of estimates for cash flow projections. The key assumptions used in the assessment are disclosed in Note 4.

2.25 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
Cost/Valuation									
At 1 January 2017		30,556	38,969	1,659	108,584	3,972	39,179	4,247	227,166
Additions		-	-	-	6,110	325	675	6,556	13,666
Disposals		-	-	-	(7)	(1,416)	-	-	(1,423)
Written off		-	-	-	(239)	-	(6)	-	(245)
Reclassification#	4	-	-	-	1,097	-	651	(5,348)	(3,600)
Transfer from investment properties	5	-	8,014	-	-	-	-	-	8,014
At 31 December 2017/ 1 January 2018		30,556	46,983	1,659	115,545	2,881	40,499	5,455	243,578
Additions		-	-	-	6,753	-	523	7,547	14,823
Disposals		-	-	-	(53)	(748)	-	-	(801)
Written off		-	-	-	(1,983)	-	(6,769)	-	(8,752)
Reclassification#	4	-	-	-	5,659	-	648	(10,153)	(3,846)
At 31 December 2018		30,556	46,983	1,659	125,921	2,133	34,901	2,849	245,002

* 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).

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
Depreciation									
At 1 January 2017		242	4,998	63	77,870	2,421	22,708	-	108,302
Depreciation for the year	27	303	1,296	21	11,602	463	3,091	-	16,776
Disposals		-	-	-	(2)	(1,118)	-	-	(1,120)
Written off		-	-	-	(227)	-	(6)	-	(233)
At 31 December 2017/ 1 January 2018		545	6,294	84	89,243	1,766	25,793	-	123,725
Depreciation for the year	27	303	1,296	21	11,936	387	2,675	-	16,618
Disposals		-	-	-	(25)	(601)	-	-	(626)
Written off		-	-	-	(1,834)	-	(6,409)	-	(8,243)
At 31 December 2018		848	7,590	105	99,320	1,552	22,059	-	131,474

* 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)

	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
Carrying amounts								
At 1 January 2017	30,314	33,971	1,596	30,714	1,551	16,471	4,247	118,864
At 31 December 2017/ 1 January 2018	30,011	40,689	1,575	26,302	1,115	14,706	5,455	119,853
At 31 December 2018	29,708	39,393	1,554	26,601	581	12,842	2,849	113,528

* The carrying amounts of land and buildings are not segregated as the required information is not available.

Company	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
Cost					
At 1 January 2017	950	442	82	4	1,478
Additions	689	-	-	-	689
Disposals	-	(442)	-	-	(442)
Written off	(10)	-	-	-	(10)
At 31 December 2017/1 January 2018	1,629	-	82	4	1,715
Additions	136	-	-	-	136
Disposals	(4)	-	-	-	(4)
Written off	(19)	-	-	-	(19)
Reclassification	-	-	-	(4)	(4)
At 31 December 2018	1,742	-	82	-	1,824

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
Depreciation						
At 1 January 2017		414	442	22	-	878
Depreciation for the year	27	269	-	8	-	277
Disposals		-	(442)	-	-	(442)
Written off		(10)	-	-	-	(10)
At 31 December 2017/1 January 2018		673	-	30	-	703
Depreciation for the year	27	279	-	8	-	287
Disposals		(2)	-	-	-	(2)
Written off		(16)	-	-	-	(16)
At 31 December 2018		934	-	38	-	972
Carrying amounts						
At 1 January 2017		536	-	60	4	600
At 31 December 2017/1 January 2018		956	-	52	4	1,012
At 31 December 2018		808	-	44	-	852

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	2018 RM'000	2017 RM'000
Land	11,376	11,488
Buildings	29,565	30,352
Land and buildings	1,270	1,286
	42,211	43,126

Notes to the financial statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

Group	2018				2017			
	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	-	-	29,708	29,708	-	-	30,011	30,011
Buildings	-	-	39,393	39,393	-	-	40,689	40,689
Land and buildings	-	-	1,554	1,554	-	-	1,575	1,575
	-	-	70,655	70,655	-	-	72,275	72,275

Level 3 fair value

The Level 3 unobservable input used in the valuation of land and buildings is the price per square foot ("per sq foot") which is adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the unobservable input used in the valuation model.

Land and buildings

Valuation technique used	2018		2017	
	Fair value RM'000	Adjusted price per sq foot RM/psf	Fair value RM'000	Adjusted price per sq foot RM/psf
Sales comparison approach	70,655	223-2,643	72,275	223-2,643

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
Cost					
At 1 January 2017		244,600	33,198	139,428	417,226
Additions		-	14,497	67,000	81,497
Reclassification	3	-	3,600	-	3,600
Expiry of bancassurance agreement		-	-	(88,933)	(88,933)
At 31 December 2017/1 January 2018		244,600	51,295	117,495	413,390
Additions		-	12,449	-	12,449
Reclassification	3	-	3,846	-	3,846
At 31 December 2018		244,600	67,590	117,495	429,685
Amortisation					
At 1 January 2017		-	21,627	101,684	123,311
Amortisation for the year	27	-	5,702	12,710	18,412
Expiry of bancassurance agreement		-	-	(88,933)	(88,933)
At 31 December 2017/1 January 2018		-	27,329	25,461	52,790
Amortisation for the year	27	-	8,619	9,012	17,631
At 31 December 2018		-	35,948	34,473	70,421
Carrying amounts					
At 1 January 2017		244,600	11,571	37,744	293,915
At 31 December 2017/1 January 2018		244,600	23,966	92,034	360,600
At 31 December 2018		244,600	31,642	83,022	359,264
		Note 4.1	Note 4.2	Note 4.3	

4.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	2018 RM'000	2017 RM'000
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/ Bright Mission Berhad ("BMB")	239,610	239,610
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
	244,600	244,600

Notes to the financial statements

4. INTANGIBLE ASSETS (CONTINUED)

4.1 Goodwill (continued)

(i) AGIC/BMB

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	2018	2017
Discount rate – pre tax	10.6%	11.2%
Terminal growth rate	3.0%	3.0%

(ii) ALIM

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. Based on the assessment of value in use for both the CGUs, the Group does not expect that any reasonable change in the key assumptions will cause the carrying amount of the goodwill to exceed their respective recoverable amounts. In conclusion, the key assumptions are not sensitive.

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	2018 RM'000	2017 RM'000
The Bancassurance Agreements:			
– General insurance business	4.3.1	60,300	64,767
– Life insurance business	4.3.2	22,722	27,267
		83,022	92,034

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 AGIC, 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	2018	2017
Bancassurance average annualised gross written premium growth rate	14.0%	19.0%
Discount rate – pre tax	10.6%	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.

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.

Notes to the financial statements

4. INTANGIBLE ASSETS (CONTINUED)

4.3 Other intangible assets (continued)

4.3.2 The Bancassurance Agreement – Life insurance business (continued)

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

Key assumptions	2018	2017
Bancassurance average annualised new premium growth rate	8.32%	4.52%
Discount rate – pre tax	10.6%	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	2018 RM'000	2017 RM'000
At 1 January		19,914	30,337
Transfer to property, plant and equipment	3	-	(8,014)
Change in fair value recognised in profit or loss	24	-	(2,409)
At 31 December		19,914	19,914
Included in the above are:			
At fair value			
Freehold land		1,000	1,000
Buildings		18,914	18,914
		19,914	19,914

The fair values of investment properties are determined by external independent professional qualified valuers using the Comparison Method.

The following are recognised in profit or loss in respect of investment properties:

Group	Note	2018 RM'000	2017 RM'000
Rental income	22	127	130
Direct operating expenses			
– income generating investment properties		(3)	(3)

Notes to the financial statements

5. INVESTMENT PROPERTIES (CONTINUED)

5.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	2018				2017			
	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	-	-	18,914	18,914
	-	-	19,914	19,914	-	-	19,914	19,914

Level 3 fair value

The fair values of the investment properties as at 31 December 2018 and 31 December 2017 were determined by external independent valuers.

The Level 3 unobservable input used in the valuation of investment properties is the price per square foot ("per sq foot") which is adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the unobservable input used in the valuation model.

Valuation technique used	2018		2017	
	Fair value RM'000	Adjusted price per sq foot RM/psf	Fair value RM'000	Adjusted price per sq foot RM/psf
Sales comparison approach	19,914	235 – 1,100	19,914	235 – 1,100

Notes to the financial statements

6. INVESTMENTS IN SUBSIDIARIES

Company	2018 RM'000	2017 RM'000
At cost		
Unquoted shares	961,088	961,088

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	
			2018 %	2017 %
Allianz Life Insurance Malaysia Berhad	Underwriting life insurance and investment-linked business	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad	Underwriting general insurance business	Malaysia	100	100

7. SUBORDINATED LOAN

Company	2018 RM'000	2017 RM'000
Non-current		
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	2018 RM'000	2017 RM'000
Non-current			
Reinsurance of insurance contracts			
General insurance claims liabilities		271,333	264,972
Life insurance actuarial liabilities		34,054	52,665
		305,387	317,637
Current			
Reinsurance of insurance contracts			
General insurance claims liabilities		445,743	430,933
Allowance for impairment	37.1(ii)	(2,615)	-
		443,128	430,933
General insurance premium liabilities		122,964	159,767
Life insurance actuarial liabilities		50	99
		566,142	590,799
Reinsurance assets of insurance contract liabilities	16	871,529	908,436
Recoverable on claims liabilities from life reinsurers		32,475	-
Total		904,004	908,436

Notes to the financial statements

9. INVESTMENTS

Group	2018 RM'000	2017 RM'000
Malaysian government securities	4,180,240	3,681,403
Malaysian government guaranteed bonds	2,791,816	2,695,211
Ringgit denominated bonds by foreign issuers outside Malaysia	40,505	66,029
Quoted equity securities of corporations in Malaysia	1,395,851	1,876,133
Quoted equity securities of corporations outside Malaysia	3,638	4,507
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	4,636,902	4,440,175
Unquoted bonds of corporations outside Malaysia	115,308	116,391
Quoted unit trusts in Malaysia	62,888	57,726
Unquoted unit trusts in Malaysia	215,899	19,375
Unquoted unit trusts outside Malaysia	25,985	26,945
Structured deposits and negotiable certificate of deposits with licensed financial institutions	164,287	262,211
Malaysian government guaranteed loans	190,504	190,545
Mortgage loans	165	2,117
Fixed and call deposits with: Licensed financial institutions	332,000	194,200
	14,158,135	13,635,115
Policy loans	11,386	12,905
Automatic premium loans	79,877	84,561
	14,249,398	13,732,581

Financial investments are summarised by categories as follows:

Group	Note	Current		Non-current		Total	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Available-for-sale financial assets ("AFS")	9(a)	6,645,683	6,845,721	-	-	6,645,683	6,845,721
Loans and receivables ("LAR")	9(b)	373,932	210,511	240,000	273,817	613,932	484,328
Fair value through profit or loss ("FVTPL")							
– Held for trading ("HFT")	9(c)	3,757,147	3,369,887	-	-	3,757,147	3,369,887
– Designated upon initial recognition ("DUIR")	9(d)	3,232,636	3,032,645	-	-	3,232,636	3,032,645
		14,009,398	13,458,764	240,000	273,817	14,249,398	13,732,581

Notes to the financial statements

9. INVESTMENTS (CONTINUED)

(a) Available-for-sale financial assets

Group	Fair value	
	2018 RM'000	2017 RM'000
Malaysian government securities	2,568,668	2,608,321
Malaysian government guaranteed bonds	1,695,168	1,693,375
Ringgit denominated bonds by foreign issuers outside Malaysia	25,316	42,157
Quoted equity securities of corporations in Malaysia	451,438	730,519
Unquoted bonds of corporations in Malaysia	1,581,682	1,605,539
Quoted unit trusts in Malaysia	51,933	55,480
Unquoted unit trusts in Malaysia	207,725	12,409
Structured deposits and negotiable certificate of deposits with licensed financial institutions	61,606	95,774
	6,643,536	6,843,574

Group	Cost	
	2018 RM'000	2017 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Total available-for-sale financial assets	6,645,683	6,845,721

(b) Loans and receivables

Group	Amortised cost	Fair value	Amortised cost	Fair value
	2018 RM'000	2018 RM'000	2017 RM'000	2017 RM'000
Malaysian government guaranteed loans	190,504	192,278	190,545	194,630
Mortgage loans	165	165	2,117	2,117
Policy loans	11,386	11,386	12,905	12,905
Automatic premium loans	79,877	79,877	84,561	84,561
Fixed and call deposits with: Licensed financial institutions	332,000	332,000	194,200	194,200
	613,932	615,706	484,328	488,413

Notes to the financial statements

9. INVESTMENTS (CONTINUED)

(c) FVTPL – Held for trading

Group	Fair value	
	2018 RM'000	2017 RM'000
Malaysian government securities	859,059	482,806
Malaysian government guaranteed bonds	601,720	536,817
Ringgit denominated bonds by foreign issuers outside Malaysia	5,063	5,081
Quoted equity securities of corporations in Malaysia	944,413	1,145,614
Quoted equity securities of corporations outside Malaysia	3,638	4,507
Unquoted bonds of corporations in Malaysia	1,267,400	1,128,006
Quoted unit trusts in Malaysia	10,955	2,246
Unquoted unit trusts in Malaysia	8,174	6,966
Unquoted unit trusts outside Malaysia	25,985	26,945
Structured deposits with licensed financial institutions	30,740	30,899
	3,757,147	3,369,887

(d) FVTPL – Designated upon initial recognition

Group	Fair value	
	2018 RM'000	2017 RM'000
Malaysian government securities	752,513	590,276
Malaysian government guaranteed bonds	494,928	465,019
Ringgit denominated bonds by foreign issuers outside Malaysia	10,126	18,791
Unquoted bonds of corporations in Malaysia	1,787,820	1,706,630
Unquoted bonds of corporations outside Malaysia	115,308	116,391
Structured deposits and negotiable certificate of deposits with licensed financial institutions	71,941	135,538
	3,232,636	3,032,645

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
At 1 January 2017		6,320,087	758,354	2,619,808	2,640,912	12,339,161
Purchases/Placements		1,251,562	17,840,942	1,179,071	698,667	20,970,242
Maturities		(292,500)	(18,110,141)	(57,500)	(190,000)	(18,650,141)
Disposals		(567,043)	-	(559,628)	(123,039)	(1,249,710)
Fair value (losses)/gains recorded in:						
Profit or loss:						
– Unrealised gains	24	-	-	184,209	10,588	194,797
– Movement in impairment allowance	24	(6,582)	-	-	-	(6,582)
Other comprehensive income	15.2	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)
Movement in income due and accrued		4,643	(4,827)	7,024	6,085	12,925
At 31 December 2017		6,845,721	484,328	3,369,887	3,032,645	13,732,581

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2018		6,845,721	484,328	3,369,887	3,032,645	13,732,581
Purchases/Placements		1,107,398	22,029,688	1,207,619	515,041	24,859,746
Maturities		(539,488)	(21,897,401)	(80,000)	(297,500)	(22,814,389)
Disposals		(589,552)	-	(497,976)	(29,862)	(1,117,390)
Fair value gains/(losses) recorded in:						
Profit or loss:						
– Unrealised (losses)/gains	24	-	-	(247,818)	8,096	(239,722)
– Movement in impairment allowance	24	(76,804)	-	-	-	(76,804)
Other comprehensive income	15.2	1,601	-	-	-	1,601
Insurance contract liabilities	16(a)	(105,813)	-	-	-	(105,813)
Accretion of discounts		5,454	-	1,441	3,104	9,999
Amortisation of premiums		(2,522)	-	(881)	(2,272)	(5,675)
Unrealised foreign exchange (losses)/gains		-	-	(613)	2,424	1,811
Movement in income due and accrued		(312)	(2,683)	5,488	960	3,453
At 31 December 2018		6,645,683	613,932	3,757,147	3,232,636	14,249,398

Notes to the financial statements

9. INVESTMENTS (CONTINUED)

Company	2018 RM'000	2017 RM'000
Fixed and call deposits with:		
Licensed financial institutions	2,016	9,873

Financial investments are summarised by category as follows:

Company	Current		Total	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Amortised cost ("AC")	2,016	-	2,016	-
Loans and receivables ("LAR")	-	9,873	-	9,873

Company	Amortised cost	Fair value	Amortised cost	Fair value
	2018 RM'000	2018 RM'000	2017 RM'000	2017 RM'000
Fixed and call deposits with:				
Licensed financial institutions	2,016	2,016	9,873	9,873

The movements in carrying values of the financial investments are as follows:

Company	LAR/AC RM'000	Total RM'000
At 1 January 2017	38	38
Placements	444,096	444,096
Maturities	(434,378)	(434,378)
Movement in accrued interest	117	117
At 31 December 2017/1 January 2018	9,873	9,873
Placements	376,228	376,228
Maturities	(383,946)	(383,946)
Movement in accrued interest	(139)	(139)
At 31 December 2018	2,016	2,016

Notes to the financial statements

10. DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2018			
Derivative held for trading at fair value through profit or loss:			
Collateralised interest rate swap	400,000	19,482	-
Cross currency swap	119,750	4,982	(819)
Derivatives used for hedging:			
Forward purchase agreements	190,000	1,595	(1,594)
	709,750	26,059	(2,413)
2017			
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)
	739,750	25,537	(5,251)

The Group uses interest rate swap and cross currency swap to mitigate the changes in fair value of local and foreign currency-denominated debt securities due to movements in interest rates or foreign exchange rates.

The Group enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

Table below shows the periods when the hedged cash flows are expected to occur:

Group	>6 to 12 months RM'000	>1 to 5 years RM'000
As at 31.12.2018		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(30,353)	(156,082)
	(30,353)	(156,082)
As at 31.12.2017		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(30,719)	(186,435)
	(30,719)	(186,435)

Notes to the financial statements

11. INSURANCE RECEIVABLES

Group	Note	2018 RM'000	2017 RM'000
Current			
Due premiums including agents, brokers and co-insurers balances		149,248	186,196
Due from reinsurers and cedants		83,094	88,635
Due from holding company	11.1	1,857	-
Due from related companies	11.1	52,153	32,759
Group claims receivables		1,455	1,701
		287,807	309,291
Less: Allowance for impairment	37.1(ii)	(59,704)	(59,166)
		228,103	250,125

11.1 Amount due from holding company and related companies

The amount due from holding company and related companies are unsecured and receivable in accordance with normal trade terms.

11.2 Financial assets

There is no netting off of gross amount of recognised financial assets against the gross amount of financial liabilities in the statement of financial position.

There are no financial assets that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2017: Nil).

Notes to the financial statements

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	Note	2018 RM'000	2017 RM'000
Non-current			
Other receivables			
Other loans		23,591	4,729
Malaysian Institute of Insurance ("MII") bonds		590	590
Other receivables, deposits and prepayments		7,893	7,867
		32,074	13,186
Staff loans			
Mortgage loans		6,389	6,159
Other secured loans		1,339	1,141
		7,728	7,300
		39,802	20,486
Current			
Other receivables			
Sundry deposits		6,427	6,164
Malaysian Motor Insurance Pool ("MMIP")		52,898	45,354
Other receivables, deposits and prepayments		44,218	52,831
Less: Allowance for impairment	37.1(ii)	(1,471)	(2,022)
		102,072	102,327
Due from holding company	12.1	48	-
Due from related companies	12.1	6,029	2,713
		108,149	105,040
Staff loans			
Mortgage loans		716	677
Other secured loans		450	397
		1,166	1,074
		109,315	106,114
Total		149,117	126,600

12.1 Amounts due from holding company and related companies

The amount due from holding company and related companies are unsecured, interest free and repayable on demand.

Notes to the financial statements

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Company	Note	2018 RM'000	2017 RM'000
Non-current			
Other receivables			
Other receivables, deposits and prepayments		632	448
Staff loans			
Mortgage loans		354	374
Other secured loans		34	70
		388	444
		1,020	892
Current			
Other receivables			
Other receivables, deposits and prepayments		1,573	1,432
Due from subsidiaries	12.2	20,479	3,211
Dividend receivable from subsidiary		159,630	79,625
		181,682	84,268
Staff loans			
Mortgage loans		43	43
Other secured loans		14	26
		57	69
		181,739	84,337
Total		182,759	85,229

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 2017		99,984	(13,056)	86,928
Movement during the year	26	7,742	(614)	7,128
At 31 December 2017/1 January 2018		107,726	(13,670)	94,056
Movement during the year	26	(922)	1,926	1,004
At 31 December 2018		106,804	(11,744)	95,060

Notes to the financial statements

14. SHARE CAPITAL

Group and Company	2018		2017	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares classified as equity instruments: (Note 14.1)				
Ordinary shares				
At 1 January	225,268	174,583	173,707	173,707
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.2)	-	-	48,775	-
Issued during the year	6,696	2,105	2,786	876
At 31 December	231,964	176,688	225,268	174,583
Irredeemable Convertible Preference Shares				
At 1 January	545,761	171,623	172,499	172,499
Transfer from share premium in accordance with Section 618(2) of the Companies Act 2016 (Note 14.2)	-	-	376,048	-
Conversion during the year	(6,696)	(2,105)	(2,786)	(876)
At 31 December	539,065	169,518	545,761	171,623

During the financial year, the Group and the Company issued 2,105,501 (2017: 875,950) 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.

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). No decision was made by the Board to utilise the share premium.

Ordinary shares

The holders of the ordinary shares are entitled to one vote per share at meetings of the Company, and to receive dividends as declared from time to time.

Notes to the financial statements

14. SHARE CAPITAL (CONTINUED)

Irredeemable Convertible Preference Shares ("ICPS")

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.

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 may be converted at any time on a date falling 12 months after the quotation date of the ICPS. The conversion price is fixed at 1 ordinary share of the Company and shall be satisfied by surrendering 1 ICPS for each ordinary share of the Company, subject to adjustment to the conversion price. No cash is payable by the holder of the ICPS upon conversion of the ICPS to ordinary shares. The ordinary shares resulting from each conversion shall rank *pari passu* in all respect with the remaining ordinary shares.

In the event of repayment of capital by the Company (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	2018 RM'000	2017 RM'000
Group			
Revaluation reserve	15.1	41,934	41,934
Fair value reserve	15.2	11,376	10,169
Life non-participating fund surplus		752,903	611,845
Retained earnings	15.3	1,784,455	1,700,536
		2,590,668	2,364,484
Company			
Retained earnings		284,448	280,145
		284,448	280,145

15.1 Revaluation reserve

The revaluation reserve represents the surplus on revaluation of owner occupied properties for the general business and life business.

Notes to the financial statements

15. RESERVES (CONTINUED)

15.2 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.

Group	2018 RM'000	2017 RM'000
Fair value reserve		
At 1 January	10,169	(3,508)
Fair value of available-for-sale financial assets		
Net gains/(losses) arising during the financial year	(72,290)	154,172
Realised gains transferred to income statement	(31,922)	(22,319)
Gains on cash flow hedge	3,220	(3,246)
Effect of tax	7,813	(13,160)
Change in insurance contract liabilities arising from net fair value change on:		
AFS financial assets	105,813	(113,866)
Cash flow hedge reserve	(3,220)	3,246
Effect of tax	(8,207)	8,850
At 31 December	11,376	10,169

15.3 Retained earnings

Restriction on payment of dividends

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 capital level.

Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Insurance Subsidiaries are required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend on its shares.

Notes to the financial statements

16. INSURANCE CONTRACT LIABILITIES

Group	Note	2018			2017		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	(a)	8,817,973	(34,104)	8,783,869	8,482,291	(52,764)	8,429,527
General insurance	(b)	3,505,617	(837,425)	2,668,192	3,474,774	(855,672)	2,619,102
		12,323,590	(871,529)	11,452,061	11,957,065	(908,436)	11,048,629
			Note 8			Note 8	

(a) Life insurance

Life insurance contract liabilities consist of:

Group	Note	2018			2017		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	36.1	7,192,871	(34,104)	7,158,767	6,880,877	(52,764)	6,828,113
Unallocated surplus		133,696	-	133,696	81,659	-	81,659
Hedging reserve		1	-	1	(2,961)	-	(2,961)
Available-for-sale fair value reserve		47,954	-	47,954	145,302	-	145,302
Net asset value attributable to unitholders		1,437,471	-	1,437,471	1,371,434	-	1,371,434
Revaluation reserve		5,980	-	5,980	5,980	-	5,980
		8,817,973	(34,104)	8,783,869	8,482,291	(52,764)	8,429,527

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 DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2017	3,812,445	3,535,517	7,347,962	-	(59,975)	(59,975)	7,287,987
Premiums received (Note 21)	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 26)	(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	-	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 28.3)	260	-	260	-	-	-	260
– Available-for- sale fair value reserve (Note 28.3)	(9,110)	-	(9,110)	-	-	-	(9,110)
At 31 December 2017	3,980,328	4,501,963	8,482,291	-	(52,764)	(52,764)	8,429,527

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 DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
At 1 January 2018	3,980,328	4,501,963	8,482,291	-	(52,764)	(52,764)	8,429,527
Premiums received (Note 21)	130,702	2,252,835	2,383,537	(7,240)	(92,954)	(100,194)	2,283,343
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 26)	(333,706)	(862,011)	(1,195,717)	2,337	79,260	81,597	(1,114,120)
Benefits and claims experience variation	(43,009)	(124,010)	(167,019)	4,903	18,116	23,019	(144,000)
Fees deducted	(9,632)	(602,874)	(612,506)	-	(846)	(846)	(613,352)
Expected interest on reserve/net investment income attributable to Universal Life Fund	150,427	43,688	194,115	-	(836)	(836)	193,279
Adjustments due to changes in assumptions	(40,071)	(8,615)	(48,686)	-	15,920	15,920	(32,766)
Net asset value attributable to unitholders	-	(175,693)	(175,693)	-	-	-	(175,693)
Hedging reserve	3,220	-	3,220	-	-	-	3,220
Available-for-sale fair value reserve (Note 9)	(105,813)	-	(105,813)	-	-	-	(105,813)
Unallocated surplus	52,037	-	52,037	-	-	-	52,037
Deferred tax effects:							
– Hedging reserve (Note 28.3)	(258)	-	(258)	-	-	-	(258)
– Available-for- sale fair value reserve (Note 28.3)	8,465	-	8,465	-	-	-	8,465
At 31 December 2018	3,792,690	5,025,283	8,817,973	-	(34,104)	(34,104)	8,783,869

Notes to the financial statements

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

General insurance contract liabilities consist of:

Group	Note	2018			2017		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		1,734,155	(517,351)	1,216,804	1,690,486	(477,442)	1,213,044
Provision for incurred but not reported claims ("IBNR")		741,236	(199,725)	541,511	711,900	(218,463)	493,437
		2,475,391	(717,076)	1,758,315	2,402,386	(695,905)	1,706,481
Allowance for impairment	8	-	2,615	2,615	-	-	-
Provision for outstanding claims	16.1	2,475,391	(714,461)	1,760,930	2,402,386	(695,905)	1,706,481
Provision for unearned premiums	16.2	1,030,226	(122,964)	907,262	1,072,388	(159,767)	912,621
		3,505,617	(837,425)	2,668,192	3,474,774	(855,672)	2,619,102

16.1 Provision for outstanding claims – movements

Group	Note	2018			2017		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		2,402,386	(695,905)	1,706,481	2,399,822	(753,862)	1,645,960
Claims incurred in the current accident year		1,468,163	(143,773)	1,324,390	1,460,953	(196,008)	1,264,945
Other movements in claims incurred in prior accident years		(141,960)	(4,627)	(146,587)	(91,858)	(37,764)	(129,622)
Claims paid during the year	26	(1,253,198)	129,844	(1,123,354)	(1,366,531)	291,729	(1,074,802)
At 31 December		2,475,391	(714,461)	1,760,930	2,402,386	(695,905)	1,706,481

Notes to the financial statements

16. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance (continued)

16.2 Provision for unearned premiums – movements

Group	Note	2018			2017		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		1,072,388	(159,767)	912,621	1,020,720	(167,073)	853,647
Premiums written in the year	21	2,121,317	(229,727)	1,891,590	2,135,812	(245,018)	1,890,794
Premiums earned during the year		(2,163,479)	266,530	(1,896,949)	(2,084,144)	252,324	(1,831,820)
At 31 December		1,030,226	(122,964)	907,262	1,072,388	(159,767)	912,621

17. DEFERRED TAX ASSETS AND (LIABILITIES)

17.1 Recognised deferred tax assets and (liabilities) are attributable to the following:

Group	Assets		Liabilities		Net	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Property, plant and equipment	1,309	1,309	(15,274)	(15,803)	(13,965)	(14,494)
Intangible assets	-	-	(15,253)	-	(15,253)	-
Allowance for impairment on insurance receivables	12,483	11,549	-	-	12,483	11,549
Other payables and accruals	19,675	17,398	-	-	19,675	17,398
Hedging reserve	-	258	-	-	-	258
Available-for-sale fair value reserve	-	-	(7,738)	(15,809)	(7,738)	(15,809)
Fair value movement recognised in profit or loss	1,778	1,778	1,979	(18,460)	3,757	(16,682)
Unallocated surplus	-	-	(237,760)	(193,214)	(237,760)	(193,214)
Other items	2,722	-	(137)	(474)	2,585	(474)
Tax assets/(liabilities)	37,967	32,292	(274,183)	(243,760)	(236,216)	(211,468)
Set off	(23,916)	(9,017)	23,916	9,017	-	-
Net tax assets/(liabilities)	14,051	23,275	(250,267)	(234,743)	(236,216)	(211,468)
Company						
Property, plant and equipment	-	-	(142)	(183)	(142)	(183)
Net tax liabilities	-	-	(142)	(183)	(142)	(183)

Notes to the financial statements

17. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

17.2 Movement in temporary differences during the year:

	At 1.1.2017 RM'000	Recognised in profit or loss (Note 28.1) RM'000	Recognised in other comprehensive income (Note 28.2) RM'000	Recognised in insurance contract liabilities (Note 28.3) RM'000	At 31.12.2017/ 1.1.2018 RM'000	Recognised in profit or loss (Note 28.1) RM'000	Recognised in other comprehensive income (Note 28.2) RM'000	Recognised in insurance contract liabilities (Note 28.3) RM'000	At 31.12.2018 RM'000
Group									
Property, plant and equipment	(15,545)	1,051	-	-	(14,494)	529	-	-	(13,965)
Intangible assets	(1,091)	1,091	-	-	-	(15,253)	-	-	(15,253)
Allowance for impairment on insurance receivables	2,254	9,295	-	-	11,549	934	-	-	12,483
Other payables and accruals	14,830	2,568	-	-	17,398	2,277	-	-	19,675
Hedging reserve	(2)	-	-	260	258	-	-	(258)	-
Available-for-sale fair value reserve	(2,389)	-	(4,310)	(9,110)	(15,809)	-	(394)	8,465	(7,738)
Fair value movement recognised in profit or loss	(966)	(15,716)	-	-	(16,682)	20,439	-	-	3,757
Unallocated surplus	(165,636)	(27,578)	-	-	(193,214)	(44,546)	-	-	(237,760)
Other items	1,297	(1,771)	-	-	(474)	3,059	-	-	2,585
	(167,248)	(31,060)	(4,310)	(8,850)	(211,468)	(32,561)	(394)	8,207	(236,216)
Company									
Property, plant and equipment	(56)	(127)	-	-	(183)	41	-	-	(142)

Notes to the financial statements

18. INSURANCE PAYABLES

Group	Note	2018 RM'000	2017 RM'000
Non-current			
Performance bond deposits	18.1	24,132	25,351
Current			
Due to reinsurers and cedants		184,932	146,747
Due to agents, brokers, co-insurers and insurers		141,289	140,338
Due to holding company	18.2	-	1,139
Due to related companies	18.2	27,134	64,190
Performance bond deposits	18.1	50,283	52,999
		403,638	405,413
Total		427,770	430,764

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.

18.3 Financial liabilities

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statement of financial position. There are no financial liabilities that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2017: Nil).

Notes to the financial statements

19. OTHER PAYABLES AND ACCRUALS

Group	Note	2018 RM'000	2017 RM'000
Non-current			
Due to holding company	19.2	-	54,300
Current			
Sundry creditors		132,426	144,297
Premium received in advance		80,529	65,187
Premium deposits		36,406	26,586
Cash collateral payables		20,864	12,128
Outstanding purchase of investment securities		3,918	20,280
Other payables and accrued expenses		106,195	101,142
Dividend payable		152,044	45,649
Due to holding company	19.1	28,714	23,936
Due to related companies	19.1	8,271	950
		569,367	440,155
Total		569,367	494,455
Company			
Non-current			
Due to holding company	19.2	-	54,300
Current			
Other payables and accrued expenses		2,754	3,841
Dividend payable		152,044	45,649
		154,798	49,490
Total		154,798	103,790

19.1 Amounts due to holding company and related companies

The amounts due to holding company and related company are unsecured, interest free and repayable on demand.

Notes to the financial statements

19. OTHER PAYABLES AND ACCRUALS (CONTINUED)

19.2 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. OPERATING REVENUE

Group	Note	2018 RM'000	2017 RM'000
Gross earned premiums	21(a)	4,547,016	4,233,736
Investment income	22	634,913	567,254
		5,181,929	4,800,990
Company			
Investment income	22	162,863	83,806

Notes to the financial statements

21. NET EARNED PREMIUMS

Group	Note	2018 RM'000	2017 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	16(a)	2,383,537	2,149,592
General	16.2	2,121,317	2,135,812
		4,504,854	4,285,404
Change in unearned premiums provision:			
General		42,162	(51,668)
Gross earned premiums	20	4,547,016	4,233,736
(b) Premiums ceded			
Insurance contracts:			
Life	16(a)	(100,194)	(53,129)
General	16.2	(229,727)	(245,018)
		(329,921)	(298,147)
Change in unearned premiums provision:			
General		(36,803)	(7,306)
Premiums ceded to reinsurers		(366,724)	(305,453)
Net earned premiums		4,180,292	3,928,283

Notes to the financial statements

22. INVESTMENT INCOME

Group	Note	2018 RM'000	2017 RM'000
Rental of premises from:			
– Investment properties	5	127	130
– Owner occupied properties		316	82
Fair value through profit or loss – Held for trading financial assets			
Interest income from:			
– Malaysian government securities		28,568	18,893
– Malaysian government guaranteed bonds		25,628	21,078
– Ringgit denominated bonds by foreign issuers outside Malaysia		246	245
– Unquoted bonds of corporations in Malaysia		57,232	46,341
Dividend income from:			
– Quoted equity securities of corporations in Malaysia		33,311	30,328
– Quoted equity securities of corporations outside Malaysia		517	400
– Quoted unit trusts in Malaysia		379	108
Interest income from/(expense to) licensed financial institutions:			
– Structured deposits		1,279	1,276
– Cash collateral		(681)	(203)
Accretion of discounts on:			
– Malaysian government securities		830	657
– Malaysian government guaranteed bonds		563	668
– Unquoted bonds of corporations in Malaysia		48	49
Amortisation of premiums on:			
– Malaysian government securities		(170)	(154)
– Malaysian government guaranteed bonds		(10)	(11)
– Unquoted bonds of corporations in Malaysia		(701)	(606)

Notes to the financial statements

22. INVESTMENT INCOME (CONTINUED)

Group	2018 RM'000	2017 RM'000
Available-for-sale financial assets		
Interest income from:		
– Malaysian government securities	110,443	101,251
– Malaysian government guaranteed bonds	73,447	67,817
– Ringgit denominated bonds by foreign issuers outside Malaysia	1,367	2,042
– Unquoted bonds of corporations in Malaysia	71,847	68,268
Dividend income from:		
– Quoted equity securities of corporations in Malaysia	19,376	20,127
– Quoted unit trusts in Malaysia	3,449	1,861
– Unquoted unit trusts in Malaysia	655	-
Accretion of discounts on:		
– Malaysian government securities	785	750
– Malaysian government guaranteed bonds	4,577	5,321
– Ringgit denominated bonds by foreign issuers outside Malaysia	-	12
– Unquoted bonds of corporations in Malaysia	-	-
– Structured deposits and negotiable certificate of deposits with licensed financial institutions	92	423
Amortisation of premiums on:		
– Malaysian government securities	(1,074)	(1,078)
– Malaysian government guaranteed bonds	(140)	(135)
– Unquoted bonds of corporations in Malaysia	(1,308)	(1,592)
Interest income from licensed financial institutions:		
– Structured deposits and negotiable certificate of deposits	3,313	3,483

Notes to the financial statements

22. INVESTMENT INCOME (CONTINUED)

Group	2018 RM'000	2017 RM'000
Fair value through profit or loss – Designated upon initial recognition financial assets		
Interest income from:		
– Malaysian government securities	27,480	19,649
– Malaysian government guaranteed bonds	19,790	17,420
– Ringgit denominated bonds by foreign issuers outside Malaysia	563	879
– Unquoted bonds of corporations in Malaysia	85,754	78,227
– Unquoted bonds of corporations outside Malaysia	4,237	4,394
Interest income from/(expense to) licensed financial institutions:		
– Structured deposits and negotiable certificate of deposits	3,851	5,059
– Cross currency swap	1,637	1,222
– Collateralised forward starting interest rate swap	3,666	2,230
Accretion of discounts on:		
– Malaysian government securities	586	567
– Malaysian government guaranteed bonds	845	1,290
– Ringgit denominated bonds by foreign issuers outside Malaysia	-	1
– Quoted bonds of corporations in Malaysia	58	-
– Unquoted bonds of corporations in Malaysia	91	82
– Unquoted bonds of corporations outside Malaysia	47	43
– Structured deposits	1,477	1,403
Amortisation of premiums on:		
– Malaysian government securities	(673)	(551)
– Malaysian government guaranteed bonds	(27)	(27)
– Unquoted bonds of corporations in Malaysia	(1,233)	(1,217)
– Unquoted bonds of corporations outside Malaysia	(339)	(328)
Loans and receivables		
Interest income from:		
– Malaysian government guaranteed loans	8,590	8,703
– Mortgage loans	82	205
– Policy loans	900	1,049
– Automatic premium loans	5,805	6,473
Interest income from licensed financial institutions:		
– Fixed and call deposits	28,136	27,631
– Bank balances	9,279	5,019
	634,913	567,254
	Note 20	Note 20

Notes to the financial statements

22. INVESTMENT INCOME (CONTINUED)

Company	2018 RM'000	2017 RM'000
Dividend income from subsidiary	159,630	79,625
Amortised cost		
Interest income from licensed financial institutions:		
– Fixed and call deposits	789	1,737
Interest income on subordinated loan	2,444	2,444
	162,863	83,806
	Note 20	Note 20

23. REALISED GAINS AND LOSSES

Group	2018 RM'000	2017 RM'000
Property, plant and equipment		
Realised (losses)/gains on disposal	(2)	207
Financial assets		
Realised gains on disposal:		
– Malaysian government securities	577	4,283
– Malaysian government guaranteed bonds	73	137
– Quoted equity securities of corporations in Malaysia	96,157	100,534
– Quoted equity securities of corporations outside Malaysia	790	5,890
– Quoted unit trusts in Malaysia	15	1,048
– Unquoted unit trusts in Malaysia	318	-
– Unquoted unit trusts outside Malaysia	20	434
– Unquoted bonds of corporations in Malaysia	-	5
Realised losses on disposal:		
– Malaysian government securities	(9)	(641)
– Malaysian government guaranteed bonds	(6)	-
– Quoted equity securities of corporations in Malaysia	(118,632)	(53,768)
– Quoted equity securities of corporations outside Malaysia	(365)	(6,069)
– Unquoted unit trusts outside Malaysia	(91)	(210)
– Unquoted bonds of corporations in Malaysia	(37)	(76)
Total net realised (losses)/gains for financial assets	(21,190)	51,567
Total net realised (losses)/gains	(21,192)	51,774

Notes to the financial statements

23. REALISED GAINS AND LOSSES (CONTINUED)

Company	2018 RM'000	2017 RM'000
Property, plant and equipment		
Realised (loss)/gains on disposal	(2)	98

24. FAIR VALUE GAINS AND LOSSES

Group	Note	2018 RM'000	2017 RM'000
Investment properties	5	-	(2,409)
Held for trading financial assets	9	(247,818)	184,209
Designated upon initial recognition financial assets	9	8,096	10,588
Derivatives		2,851	8,015
Total fair value gains on financial assets at FVTPL		(236,871)	202,812
Impairment loss on AFS financial assets	9	(76,804)	(6,582)
Total net fair value (losses)/gains		(313,675)	193,821

25. FEE AND COMMISSION

(a) Fee and commission income

Group	Note	2018 RM'000	2017 RM'000
Service charges		10,926	10,890
Deferred acquisition costs	13	1,926	(614)
Reinsurance commission income		15,823	27,650
Total fee and commission income		28,675	37,926

(b) Fee and commission expense

Group	Note	2018 RM'000	2017 RM'000
Gross direct commission		684,540	659,498
Deferred acquisition costs	13	922	(7,742)
Total fee and commission expense		685,462	651,756

Notes to the financial statements

26. NET BENEFITS AND CLAIMS

Group	Note	2018 RM'000	2017 RM'000
(a) Gross benefits and claims paid			
Insurance contracts:			
Life	16(a)	(1,195,717)	(973,641)
General	16.1	(1,253,198)	(1,366,531)
		(2,448,915)	(2,340,172)
(b) Claims ceded to reinsurers			
Insurance contracts:			
Life	16(a)	81,597	74,362
General	16.1	129,844	291,729
		211,441	366,091
(c) Gross change in contract liabilities			
Insurance contracts:			
Life		(430,068)	(1,032,559)
General		(73,005)	(2,564)
		(503,073)	(1,035,123)
(d) Change in contract liabilities ceded to reinsurers			
Insurance contracts:			
Life		(18,660)	(7,211)
General		18,556	(57,957)
		(104)	(65,168)
Net benefits and claims		(2,740,651)	(3,074,372)

Notes to the financial statements

27. MANAGEMENT EXPENSES

	Note	2018 RM'000	2017 RM'000
Group			
Advertising and marketing expenses		25,056	17,584
Amortisation of intangible assets	4	17,631	18,412
Auditors' remuneration:			
– statutory audit fees		797	860
– non-audit fees		224	372
Insurance and other receivables:			
– (reversal of)/allowance for impairment loss		(13)	37,557
– bad debts recovered		(83)	(193)
– bad debts written off		3,080	1,517
Bank charges		27,780	32,505
Depreciation of property, plant and equipment	3	16,618	16,776
Employee benefits expense	27.1	243,712	241,877
Executive directors' emoluments	27.2	5,189	4,007
Non-executive directors' fee and other emoluments	27.2	3,368	3,362
Rental of office equipment		5,438	4,565
Rental of third party premises		14,118	13,006
Other expenses		191,964	211,618
		554,879	603,825
Company			
Auditors' remuneration:			
– statutory audit fees		133	159
– non-audit fees		50	10
Depreciation of property, plant and equipment	3	287	277
Employee benefits expense	27.1	1,994	1,823
Executive directors' emoluments	27.2	-	148
Non-executive directors' fee and other emoluments	27.2	1,116	927
Other expenses		2,098	1,559
		5,678	4,903

Notes to the financial statements

27. MANAGEMENT EXPENSES (CONTINUED)

27.1 Employee benefits expense

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages and salaries	180,314	175,516	905	725
Social security contributions	1,480	1,405	6	5
Contributions to Employees' Provident Fund	25,135	25,923	196	167
Other benefits	36,783	39,033	887	926
	243,712	241,877	1,994	1,823

27.2 Key management personnel compensation

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Executive directors:				
Salaries and other emoluments	3,667	2,780	-	73
Bonus	1,258	980	-	58
Contributions to Employees' Provident Fund	264	247	-	17
Estimated monetary value of benefits-in-kind	563	173	-	2
	5,752	4,180	-	150
Non-executive directors:				
Fees	2,386	2,542	753	721
Other emoluments	982	820	363	206
Estimated monetary value of benefits-in-kind	190	88	4	-
	3,558	3,450	1,120	927
Other key management personnel*				
Short term employee benefits	11,656	10,743	-	-

* 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.

Notes to the financial statements

27. MANAGEMENT EXPENSES (CONTINUED)

27.2 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	
	2018	2017	2018	2017
Executive directors:				
Below RM1,000,000	-	1	-	2
RM1,000,000 and above	2	2	-	-
Non-executive directors:				
RM0	-	-	-	-
Below RM100,000	1	-	2	-
RM100,001 – RM200,000	1	-	1	5
RM200,001 – RM300,000	-	1	2	-
RM300,001 – RM400,000	1	-	1	-
RM400,001 – RM500,000	1	1	-	-
RM500,001 – RM600,000	1	3	-	-
RM600,001 – RM700,000	2	-	-	-
RM700,001 – RM800,000	1	-	-	-
RM800,001 – RM900,000	-	-	-	-
RM900,001 – RM1,000,000	-	-	-	-
Above RM1,000,001	-	1	-	-

Reported under the Group and the Company's Non-Executive Directors included 1 Independent Non-Executive Director who has retired during the financial year under review.

27.3 Chief Executive Officers remuneration

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Salaries and other emoluments	3,778	5,656	111	111
Bonus	1,373	1,267	115	85
Contributions to Employees' Provident Fund	293	256	29	26
Estimated monetary value of benefits-in-kind	566	410	3	3
	6,010	7,589	258	225
Amount included in employee benefits expense	5,444	7,179	255	222

Notes to the financial statements

27. MANAGEMENT EXPENSES (CONTINUED)

27.3 Chief Executive Officers remuneration (continued)

The remuneration of Chief Executive Officers (“CEO(s)”) of the Group and the Company who are also the Executive Directors of the Group, including benefits-in-kind, amounted to RM6,010,000 (2017: RM7,589,000) and RM258,000 (2017: RM225,000) respectively.

28. TAX EXPENSE

28.1 Recognised in profit or loss

	Note	Group		Company	
		2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current tax expense					
Current year		123,598	118,404	798	454
(Over)/Under provision in prior years		(14,196)	(143)	7	(44)
		109,402	118,261	805	410
Deferred tax expense/(income)					
Origination and reversal of temporary		18,086	33,796	(41)	127
Under/(Over) provision in prior year		14,475	(2,736)	-	-
	17.2	32,561	31,060	(41)	127
Total tax expense		141,963	149,321	764	537

28.2 Deferred tax recognised directly in other comprehensive income

Group	Note	2018 RM'000	2017 RM'000
Available-for-sale fair value reserve			
At 1 January		3,171	(1,139)
Net gain/(loss) arising from change in fair value during the year	17.2	394	4,310
At 31 December		3,565	3,171
Revaluation reserve			
At 1 January		9,534	9,534
Net gain arising from change in fair value during the year		-	-
At 31 December		9,534	9,534

Notes to the financial statements

28. TAX EXPENSE (CONTINUED)

28.3 Deferred tax recognised in insurance contract liabilities

Group	Note	2018 RM'000	2017 RM'000
Hedging reserve			
At 1 January		(258)	2
Net gain/(loss) arising from change in fair value during the year	16(a)	258	(260)
At 31 December	17.2	-	(258)
Available-for-sale fair value reserve			
At 1 January		12,638	3,528
Net gain/(loss) arising from change in fair value during the year	16(a)	(8,465)	9,110
At 31 December		4,173	12,638
Revaluation reserve			
At 1 January/31 December		465	465

28.4 Reconciliation of tax expense

Group	2018 RM'000	2017 RM'000
Profit before tax	518,984	437,283
Tax at Malaysian tax rate of 24% (2017: 24%)	124,556	104,948
Tax rate differential of 16% (2017: 16%) in respect of life fund	14,165	1,801
Income not subject to tax	(189,876)	(173,006)
Section 110B tax credit set off	(1,166)	(941)
Non-deductible expenses	193,986	220,921
Other items	19	(1,523)
	141,684	152,200
Under/(Over) provision in prior years	279	(2,879)
Total tax expense	141,963	149,321

Notes to the financial statements

28. TAX EXPENSE (CONTINUED)

28.4 Reconciliation of tax expense (continued)

Company	2018 RM'000	2017 RM'000
Profit before tax	157,111	77,003
Tax at Malaysian tax rate of 24% (2017: 24%)	37,707	18,481
Income not subject to tax	(38,363)	(19,104)
Non-deductible expenses	1,413	1,204
	757	581
Under/(Over) provision in prior years	7	(44)
Total tax expense	764	537

The income of the general business and life business shareholders' fund is taxed at 24% (2017: 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% (2017: 8%) applicable for life insurance business and 24% (2017: 24%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967 ("Act").

29. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2018 was based on the profit attributable to ordinary shareholders adjusted for preference dividends of RM81,368,000 (2017: RM24,627,000) and the weighted average number of ordinary shares in issue during the year of 176,090,000 (2017: 174,171,000).

Group	2018	2017
Profit attributable to ordinary shareholders (RM'000)	377,021	287,962
Adjustment:		
– Preference dividends declared	(81,368)	(24,627)
Adjusted profit attributable to ordinary shareholders (RM'000)	295,653	263,335
Weighted average number of shares in issue ('000)	176,090	174,171
Basic earnings per ordinary share (sen)	167.90	151.19

Notes to the financial statements

29. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2018 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	2018	2017
Profit attributable to equity shareholders (RM'000)	377,021	287,962
Weighted average number of shares in issue ('000)	176,090	174,171
Effect of conversion of ICPS ('000)	169,518	171,623
Diluted weighted average number of ordinary shares during the year ('000)	345,608	345,794
Diluted earnings per ordinary share (sen)	109.09	83.28

30. DIVIDENDS

Dividends recognised by the Company:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2018			
Interim 2018 preference dividend	48.00	81,368	15 February 2019
Interim 2018 ordinary dividend	40.00	70,676	15 February 2019
		152,044	
2017			
Interim 2017 preference dividend	14.40	24,627	14 February 2018
Interim 2017 ordinary dividend	12.00	21,022	14 February 2018
		45,649	

Notes to the financial statements

31. OPERATING LEASES**31.1 Leases as lessee**

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group	2018 RM'000	2017 RM'000
Less than one year	12,932	8,765
Between one and five years	9,063	9,703
	21,995	18,468

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.

31.2 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	2018 RM'000	2017 RM'000
Less than one year	170	172
Between one and five years	98	218
	268	390

32. CAPITAL COMMITMENTS

Group	2018 RM'000	2017 RM'000
Property, plant and equipment		
Contracted but not provided for	3,917	4,738
Software development		
Contracted but not provided for	2,720	5,490
Company		
Property, plant and equipment		
Contracted but not provided for	83	64

Notes to the financial statements

33. 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.

33.1 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

33.2 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

33. OPERATING SEGMENTS (CONTINUED)

Business segments	Investment holding RM'000	General business RM'000	Life business RM'000	Inter-segment elimination RM'000	Consolidated RM'000
2018					
External revenue	13,557	2,345,789	2,822,583	-	5,181,929
Revenue from other segments	162,074	-	-	(162,074)	-
Total revenue	175,631	2,345,789	2,822,583	(162,074)	5,181,929
Segment results	156,047	320,569	204,442	(162,074)	518,984
Profit before tax					518,984
Tax expense					(141,963)
Profit for the year					377,021
Segment assets	553,340	6,053,386	10,797,868	-	17,404,594
Segment liabilities	164,558	3,836,004	10,042,335	-	14,042,897
Capital expenditure	136	19,275	7,861	-	27,272
Depreciation of property, plant and equipment	285	10,910	5,423	-	16,618
Amortisation of intangible assets	-	11,610	6,021	-	17,631
Reversal of allowance for impairment loss on receivables	-	422	(435)	-	(13)
Amortisation of premiums	-	1,649	4,026	-	5,675
Accretion of discounts	-	(4,374)	(5,625)	-	(9,999)
2017					
External revenue	14,191	2,253,969	2,532,830	-	4,800,990
Revenue from other segments	82,069	-	-	(82,069)	-
Total revenue	96,260	2,253,969	2,532,830	(82,069)	4,800,990
Segment results	79,609	266,879	172,864	(82,069)	437,283
Profit before tax					437,283
Tax expense					(149,321)
Profit for the year					287,962
Segment assets	498,435	5,959,009	10,139,233	-	16,596,677
Segment liabilities	121,557	3,814,906	9,524,701	-	13,461,164
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)

Notes to the financial statements

34. RELATED PARTIES

34.1 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	Relationship
Allianz SE, Munich ("Allianz SE")	Holding company
Allianz Life Insurance Malaysia Berhad	Subsidiary of the Company
Allianz General Insurance Company (Malaysia) Berhad	Subsidiary of the Company
Allianz SE Insurance Management Asia Pacific	Related company of AMB
Allianz Technology SE [Formerly known as Allianz Managed & Operations Services SE]	Related company of AMB
Allianz Investment Management SE	Related company of AMB
Allianz Investment Management Singapore Pte Ltd	Related company of AMB
Allianz Global Investors Singapore Limited	Related company of AMB
Allianz Global Investors Asia Pacific Limited	Related company of AMB
Allianz Global Benefits GmbH	Related company of AMB
Allianz Ayudhya Assurance Public Company Limited	Related company of AMB
Mondial Assistance (Asia) Pte Ltd	Related company of AMB
Euler Hermes Singapore Services Pte Ltd	Related company of AMB
PT Asuransi Allianz Life Indonesia	Related company of AMB
Allianz China Life Insurance Co. Ltd	Related company of AMB
Allianz Taiwan Life Insurance Co. Ltd	Related company of AMB
Allianz Global Corporate & Specialty SE Singapore Branch	Related company of AMB
Allianz Global Corporate & Specialty SE Hong Kong Branch	Related company of AMB
Allianz Global Corporate & Specialty, Hong Kong	Related company of AMB
Allianz Global Corporate & Specialty SE	Related company of AMB
Allianz Australia	Related company of AMB
Allianz Global Corporate & Specialty SE Germany	Related company of AMB
Allianz Risk Consultants, LLC	Related company of AMB
Rapidpro Consulting Sdn Bhd	Company connected to the CEO of the Company

Notes to the financial statements

34. RELATED PARTIES (CONTINUED)

34.1 Identity of related parties (continued)

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 27.2.

34.2 The significant transactions with related parties are as follows:

Group	Amount transacted for the year ended 31 December 2018 RM'000	Amount transacted for the year ended 31 December 2017 RM'000
Trade		
Holding company		
Payment of reinsurance premium ceded, net of commission income	(2,792)	(5,995)
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(192,060)	(140,703)
Non-trade		
Holding company		
Payment of personnel expenses	(783)	(759)
Payment of global marketing expenses	(2,140)	(2,345)
Reimbursement of expenses made on behalf	(29)	-
Payment of license fees	(25)	(34)
Payment of training and other fees	(60)	(39)
Payment of fees for sharing of Global Procurement (excluding IT) services and support	(197)	(189)
Interest expense on advance received	(115)	(2,335)
Payment of business building and regional investment costs	(9,615)	(29,650)
Provision of regional audit services	1,087	1,188
Reversal/(Payment) of relationship manager fees	244	(324)
Provision of regional underwriting service	361	337
Payment of personnel expenses	(2,209)	(2,428)
Payment of global technical support fees	(943)	(989)
Payment for support of design and development of Global Digital Factory	(45)	(64)
Payment for the development of Allianz One Finance Programme	(40)	(72)
Payment for IT security services	(203)	(314)
Payment of HR consulting fee	(56)	-
Payment of training fees	(12)	-
Payment for reimbursement of expenses	(29)	-

Notes to the financial statements

34. RELATED PARTIES (CONTINUED)

34.2 The significant transactions with related parties are as follows (continued):

Group	Amount transacted for the year ended 31 December 2018 RM'000	Amount transacted for the year ended 31 December 2017 RM'000
Non-trade (continued)		
Related companies*		
Payment of service fees	(1,098)	(7,454)
Reimbursement of other expenses	4,102	1,958
Investment and redemption of funds (including fund management fees)	674	1,517
Payment of investment advisory fees	(2,872)	(3,662)
Performance attribution analysis	-	(11)
Reversal/(Payment) of intranet portal network cost	286	(354)
Payment of sharing of common expenses	(181)	(271)
Sharing of asset and investment manager database expenses	(234)	(509)
Payment of software licenses	(830)	(281)
Reimbursement of life actuarial modeling services	1,329	575
Payment of E-HR success factor fees	-	(20)
Reversal/(Payment) for Actuarial support center services	130	(230)
Reversal(Payment) of expenses of HR database platform and recruitment solution	83	(74)
Payment of training and other fees	(11)	(4)
Reversal/(payment) for development point of sales system modules	75	(702)
Payment of annual maintenance and support fees for software system	(126)	(369)
Payment for advisory services	-	(2,551)
Payment for reimbursement of expenses	(30)	-
Payment of annual maintenance and support fee for software system	(2,871)	-
Payment of development fees	(83)	-
Payment of consultancy fees	(1,135)	-
Related party – Company connected to CEO of the Company		
Payment of training and other fees	(1,258)	(715)

* 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.

Notes to the financial statements

34. RELATED PARTIES (CONTINUED)

34.2 The significant transactions with related parties are as follows (continued):

Company	Amount transacted for the year ended 31 December 2018 RM'000	Amount transacted for the year ended 31 December 2017 RM'000
Non-trade		
Holding company		
Interest expense on advance received	(115)	(2,335)
Provision of regional audit services	1,087	1,188
Payment of business building and regional investment costs	(869)	-
Payment of license fees	(25)	-
Payment of HR consulting fee	(4)	-
Payment of training fees	(53)	-
Subsidiaries		
Dividend income	159,630	79,625
Reimbursement of other expenses	333	273
Reimbursement of expenses related to common resources	18,984	17,986
Interest income on subordinated loan	2,444	2,444
Rental of other premises	(83)	(64)
Reimbursement of life actuarial modeling services	226	147
Related companies*		
Reimbursement of life actuarial modeling services	1,329	575
Payment of marketing expenses	(6)	-

* 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

35. 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.

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.

Notes to the financial statements

35. RISK MANAGEMENT FRAMEWORK (CONTINUED)

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.

36. 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.

36.1 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.

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.1 Life insurance contracts (continued)

The table below shows the concentration of actuarial liabilities by type of contract (with DPF and without DPF).

Group	Gross			Reinsurance			Net RM'000
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
31 December 2018							
Whole life	2,434,894	1,240,256	3,675,150	-	1,169	1,169	3,676,319
Endowment	563,819	1,858,306	2,422,125	-	-	-	2,422,125
Mortgage	-	66,714	66,714	-	(35,273)	(35,273)	31,441
Riders and others	606,346	422,536	1,028,882	-	-	-	1,028,882
Total	3,605,059	3,587,812	7,192,871	-	(34,104)	(34,104)	7,158,767
			Note 16(a)			Note 16(a)	Note 16(a)
31 December 2017							
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
Total	3,750,347	3,130,530	6,880,877	-	(52,764)	(52,764)	6,828,113
			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:

- **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.

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.1 Life insurance contracts (continued)

Key assumptions (continued)

- **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 (2017: 4.25% - 6.25% 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

36. INSURANCE RISK (CONTINUED)

36.1 Life insurance contracts (continued)

The assumptions that have significant effects on the gross actuarial liabilities and reinsurance assets are listed below.

Group	Mortality and morbidity rates ⁽¹⁾		Lapse and surrender rates		Discount rate	
	2018 %	2017 %	2018 %	2017 %	2018 %	2017 %
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-70	60-80	1.5-25	1-25	4.25-6.25	4.25-6.25
Without DPF contracts						
Life insurance	60-110	60-175	1.5-65	1-65	MGS spot yield	MGS spot yield

⁽¹⁾ Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003 or the respective reinsurance risk rates.

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.1 Life insurance contracts (continued)

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, profit after tax and equity. 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 after tax/equity RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
Life insurance contracts				
31 December 2018				
Mortality and morbidity rates	+5%	(4,595)	9,751	7,667
Discount rate	-0.5%	(15,268)	94,575	93,613
Expenses	+10%	(6,978)	12,152	121,152
Lapse and surrender rates	-10%	419	5,565	5,642
31 December 2017				
Mortality and morbidity rates	+5%	(4,957)	10,569	8,310
Discount rate	-0.5%	(16,519)	129,621	128,155
Expenses	+10%	(6,946)	12,565	12,565
Lapse and surrender rates	-10%	545	6,511	6,276

* 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.

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.1 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 after tax and insurance contract liabilities. In respect of life participating insurance business, it would only impact the insurance contract liabilities.

36.2 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 (before impairment of reinsurance assets) as at the end of the reporting period by type of contract.

Group	2018			2017		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	349,196	(173,342)	175,854	317,250	(186,555)	130,695
Motor	1,427,041	(129,604)	1,297,437	1,500,842	(159,393)	1,341,449
Marine, aviation, cargo and transit	162,879	(133,120)	29,759	94,378	(65,787)	28,591
Miscellaneous	536,275	(281,010)	255,265	489,916	(284,170)	205,746
Total	2,475,391	(717,076)	1,758,315	2,402,386	(695,905)	1,706,481

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

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.

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 after tax RM'000	Impact on equity* RM'000
31 December 2018					
Average claim cost	+10%	253,224	178,746	(135,847)	(135,847)
Average number of claims	+10%	300,059	222,071	(168,774)	(168,774)
Average claim settlement period	Increased by 6 months	39,759	23,715	(18,023)	(18,023)
31 December 2017					
Average claim cost	+10%	218,278	166,827	(126,788)	(126,788)
Average number of claims	+10%	280,238	237,552	(180,540)	(180,540)
Average claim settlement period	Increased by 6 months	16,088	19,474	(14,081)	(14,081)

* 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.

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 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 2018:

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		863,518	951,237	1,145,412	1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	
One year later		784,223	848,149	1,182,773	1,193,164	1,278,469	1,368,219	1,406,527	-	
Two years later		754,245	835,047	1,119,096	1,154,151	1,256,084	1,352,452	-	-	
Three years later		749,694	834,615	1,096,339	1,141,005	1,235,679	-	-	-	
Four years later		739,602	824,626	1,167,402	1,141,354	-	-	-	-	
Five years later		731,371	822,964	1,157,674	-	-	-	-	-	
Six years later		728,218	811,411	-	-	-	-	-	-	
Seven years later		714,082	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		714,082	811,411	1,157,674	1,141,354	1,235,679	1,352,452	1,406,527	1,465,757	

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

*Claims development table (continued)**Gross general insurance claims liabilities as at 31 December 2018 (continued):*

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		244,889	259,072	344,439	375,685	387,586	514,882	561,727	541,747	
One year later		520,198	544,612	729,326	771,098	861,538	924,136	979,473	-	
Two years later		620,775	648,982	857,382	924,769	1,013,855	1,054,371	-	-	
Three years later		656,267	711,572	916,928	986,338	1,070,252	-	-	-	
Four years later		668,021	731,860	1,065,902	1,017,591	-	-	-	-	
Five years later		675,224	740,708	1,072,513	-	-	-	-	-	
Six years later		678,145	741,565	-	-	-	-	-	-	
Seven years later		679,393	-	-	-	-	-	-	-	
Cumulative payments to-date		679,393	741,565	1,072,513	1,017,591	1,070,252	1,054,371	979,473	541,747	
Gross general insurance claims liabilities (direct and facultative)	103,064	34,689	69,845	85,161	123,764	165,427	298,081	427,054	924,010	2,231,095
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustment)										12,613
Best estimate of claims liabilities										2,243,708
Claims handling expenses										20,967
PRAD at 75% confidence level										210,716
Gross general insurance claims liabilities										2,475,391

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance claims liabilities as at 31 December 2017:

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		808,271	863,518	951,235	1,145,412	1,251,433	1,349,116	1,430,684	1,471,640	
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	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		747,757	728,218	822,964	1,167,402	1,141,005	1,256,084	1,368,219	1,471,640	

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 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	561,727	
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	-	-	-	-	-	-	-	
Cumulative payments to-date		670,526	678,145	740,708	1,065,902	986,338	1,013,855	924,136	561,727	
Gross general insurance claims liabilities (direct and facultative)	44,803	77,231	50,073	82,256	101,500	154,667	242,229	444,083	909,913	2,106,755
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										56,698
Best estimate of claims liabilities										2,163,453
Claims handling expenses										20,952
PRAD at 75% confidence level										217,981
Gross general insurance claims liabilities										2,402,386

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2018:

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		622,921	675,019	875,651	971,458	1,101,455	1,200,101	1,279,931	1,316,381	
One year later		570,923	616,026	779,429	932,778	1,073,872	1,123,821	1,228,773	-	
Two years later		558,132	593,496	790,197	906,323	1,049,986	1,097,165	-	-	
Three years later		545,581	601,511	784,588	897,675	1,021,432	-	-	-	
Four years later		540,200	597,496	788,068	888,196	-	-	-	-	
Five years later		535,768	598,829	783,298	-	-	-	-	-	
Six years later		534,241	589,308	-	-	-	-	-	-	
Seven years later		525,067	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		525,067	589,308	783,298	888,196	1,021,432	1,097,165	1,228,773	1,316,381	

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2018 (continued):

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		201,756	216,325	294,253	326,832	356,733	468,300	518,300	507,250	
One year later		390,265	424,771	572,157	638,954	746,891	817,863	896,008	-	
Two years later		462,811	497,895	667,310	743,920	872,368	925,817	-	-	
Three years later		487,222	533,335	704,910	790,073	918,932	-	-	-	
Four years later		496,026	546,263	724,817	809,772	-	-	-	-	
Five years later		501,189	551,615	729,683	-	-	-	-	-	
Six years later		504,060	553,220	-	-	-	-	-	-	
Seven years later		504,999	-	-	-	-	-	-	-	
Cumulative payments to-date		504,999	553,220	729,683	809,772	918,932	925,817	896,008	507,250	
Net general insurance claims liabilities (direct and facultative)	16,630	20,068	36,088	53,615	78,424	102,500	171,348	332,765	809,130	1,620,568
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										(92)
Best estimate of claims liabilities										1,620,476
Claims handling expenses										20,967
PRAD at 75% confidence level										119,487
Net general insurance claims liabilities										1,760,930

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2017:

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		517,803	622,921	675,017	875,651	971,458	1,101,454	1,200,101	1,279,931	
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	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		473,683	534,241	598,829	788,068	897,675	1,049,986	1,123,821	1,279,931	

Notes to the financial statements

36. INSURANCE RISK (CONTINUED)

36.2 General insurance contracts (continued)

Claims development table (continued)

Net 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		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	-	-	-	-	-	-	-	
Cumulative payments to-date		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, MMIP and other adjustments)										43,259
Best estimate of claims liabilities										1,566,263
Claims handling expenses										20,952
PRAD at 75% confidence level										119,266
Net general insurance claims liabilities										1,706,481

Notes to the financial statements

37. 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.

37.1 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

37. FINANCIAL RISKS (CONTINUED)

37.1 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 (continued).

Group	Neither past-due nor impaired									
	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	Total RM'000	
2018 (continued)										
FVTPL – HFT financial investments										
Malaysian government securities	-	-	-	-	-	788,019	71,040	-	859,059	
Malaysian government guaranteed bonds	-	-	-	-	-	583,380	18,340	-	601,720	
Ringgit denominated bonds by foreign issuers outside Malaysia	1,519	-	-	-	-	-	3,544	-	5,063	
Unquoted bonds of corporations in Malaysia	490,776	401,948	-	-	-	2,050	372,626	-	1,267,400	
Structured deposits with licensed financial institutions	15,371	-	-	-	-	-	15,369	-	30,740	
FVTPL – DUJR financial investments										
Malaysian government securities	-	-	-	-	-	752,513	-	-	752,513	
Malaysian government guaranteed bonds	-	-	-	-	-	494,928	-	-	494,928	
Ringgit denominated bonds by foreign issuers outside Malaysia	10,126	-	-	-	-	-	-	-	10,126	
Unquoted bonds of corporations in Malaysia	1,035,886	697,553	-	5,180	-	49,201	-	-	1,787,820	

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.1 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 (continued).

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			
2018 (continued)											
FVTPL – DUJR financial investments (continued)	-	-	27,357	49,364	-	38,587	-	-	-	-	115,308
Unquoted bonds of corporations outside Malaysia											
Structured deposits and negotiable certificate of deposits with licensed financial institutions	71,941	-	-	-	-	-	-	-	-	-	71,941
Derivative financial assets											
Collateralised interest rate swap	19,482	-	-	-	-	-	-	-	-	-	19,482
Cross currency swap	4,982	-	-	-	-	-	-	-	-	-	4,982
Forward purchase agreements	1,595	-	-	-	-	-	-	-	-	-	1,595
Reinsurance assets	-	419,446	95,971	28	-	68,485	-	-	-	-	583,930
Insurance receivables	-	37,100	36,007	2	-	124,073	-	-	-	30,921 [#]	228,103
Other receivables and deposits	-	-	-	-	-	149,116	1	-	-	-	149,117
Cash and cash equivalents	612,604	419,209	2,663	-	-	537	204,622	-	-	-	1,239,635
	3,410,891	2,767,405	161,998	58,323	-	7,596,657	743,639	30,921	-	-	14,769,834

[#] Net of balances which are past due and impaired of RM59,704,000 which has been fully provided (See Note 37.1(ii)).

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.1 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	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Total RM'000
2018							
Fixed and call deposits	8	2,008	-	-	-	-	2,016
Other receivables and deposits	-	-	-	-	-	182,759	182,759
Subordinated loan	-	-	-	-	-	54,300	54,300
Cash and cash equivalents	7,509	2,015	-	-	-	-	9,524
	7,517	4,023	-	-	-	237,059	248,599

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.1 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 (continued).

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			
2017 (continued)											
FVTPL – HFT financial investments	-	-	-	-	-	471,080	11,726	-	-	-	482,806
Malaysian government securities	-	-	-	-	-	505,424	31,393	-	-	-	536,817
Malaysian government guaranteed bonds	-	-	-	-	-	-	-	-	-	-	-
Ringgit denominated bonds by foreign issuers outside Malaysia	1,524	-	-	-	-	-	3,557	-	-	-	5,081
Unquoted bonds of corporations in Malaysia	394,597	377,366	-	-	-	2,062	353,981	-	-	-	1,128,006
Structured deposits with licensed financial institutions	15,451	-	-	-	-	-	15,448	-	-	-	30,899
FVTPL – DUJR financial investments											
Malaysian government securities	-	-	-	-	-	590,276	-	-	-	-	590,276
Malaysian government guaranteed bonds	-	-	-	-	-	465,019	-	-	-	-	465,019
Ringgit denominated bonds by foreign issuers outside Malaysia	10,168	8,623	-	-	-	-	-	-	-	-	18,791
Unquoted bonds of corporations in Malaysia	912,596	739,423	-	5,136	-	49,475	-	-	-	-	1,706,630

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.1 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 (continued).

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	
2017 (continued)								
FVTPL – DUJR financial investments (continued)								
Unquoted bonds of corporations outside Malaysia	-	-	27,341	50,956	-	38,094	-	116,391
Structured deposits and negotiable certificate of deposits with licensed financial institutions	135,538	-	-	-	-	-	-	135,538
Derivative financial assets								
Collateralised forward starting interest rate swap	7,259	-	-	-	-	-	-	7,259
Collateralised interest rate swap	13,827	-	-	-	-	-	-	13,827
Gross currency swap	4,352	-	-	-	-	-	-	4,352
Forward purchase agreements	99	-	-	-	-	-	-	99
Reinsurance assets	-	364,415	100,669	3	-	65,119	-	530,206
Insurance receivables	-	43,725	40,517	-	-	157,989	-	250,125
Other receivables and deposits	-	-	-	-	-	125,182	1,418	126,600
Cash and cash equivalents	548,325	166,598	26,760	-	-	1,147	192,067	934,897
	3,068,300	2,600,232	195,294	59,845	-	7,062,691	618,857	13,613,113

Net of balances which are past due and impaired of RM59,166,000 which has been fully provided (See Note 37.1(ii)).

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.1 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	
2017								
LAR								
Fixed and call deposits	9,825	41	7	-	-	-	-	9,873
Other receivables and deposits	-	-	-	-	-	85,229	-	85,229
Subordinated loan	-	-	-	-	-	54,300	-	54,300
Cash and cash equivalents	27,167	10,261	6,317	-	-	-	-	43,745
	36,992	10,302	6,324	-	-	139,529	-	193,147

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	Total RM'000
2018					
Insurance receivables	7,004	11,150	2,190	10,577	30,921
2017					
Insurance receivables	3,523	589	591	3,191	7,894

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

As at 31 December 2018, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM59,704,000 (2017: RM59,166,000), reinsurance assets of RM2,615,000 (2017: Nil) and other receivables of RM1,471,000 (2017: RM2,022,000) 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		Reinsurance assets		Other receivables	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	59,166	21,644	-	-	2,022	1,987
Impairment loss recognised	2,373	39,039	2,615	-	694	35
Written off during the year	(1,835)	(1,517)	-	-	(1,245)	-
At 31 December	59,704	59,166	2,615	-	1,471	2,022
	Note 11	Note 11	Note 8	Note 8	Note 12	Note 12

37.2 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

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
2018								
Insurance contract liabilities								
With DPF	3,792,690	888,460	331,357	517,818	1,657,015	4,872,868	5,980	8,273,498
Without DPF	5,025,283	4,661,848	28,508	96,650	235,147	191,577	-	5,213,730
Provision for claims	1,734,155	1,067,899	538,667	107,578	20,011	-	-	1,734,155
Insurance payables	427,770	403,637	23,661	472	-	-	-	427,770
Other payables and accruals	488,838	488,838	-	-	-	-	-	488,838
Life insurance benefits and claims liabilities	466,283	466,283	-	-	-	-	-	466,283
Total liabilities	11,935,019	7,976,965	922,193	722,518	1,912,173	5,064,445	5,980	16,604,274
Company								
2018								
Other payables and accruals	154,798	154,798	-	-	-	-	-	154,798

Derivative financial liabilities

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	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
2018							
Derivatives held for trading							
Cross currency swaps	-	-	-	(819)	-	-	(819)
Derivatives used for hedging							
Forward purchase agreements							
– Cash inflows	-	-	-	-	-	-	-
– Cash outflows	(30,353)	(99,258)	(56,824)	-	-	-	(186,435)
Net cash outflows	(30,353)	(99,258)	(56,824)	(819)	-	-	(187,254)

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities (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
2017								
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
Provision for claims	1,690,486	1,040,967	537,750	99,340	12,429	-	-	1,690,486
Insurance payables	430,764	420,906	9,858	-	-	-	-	430,764
Other payables and accruals	429,268	430,522	-	-	-	-	-	430,522
Life insurance benefits and claims liabilities	331,296	331,296	-	-	-	-	-	331,296
Total liabilities	11,364,105	7,244,682	908,729	559,024	2,089,156	5,886,156	5,980	16,693,727

Company**2017**

Other payables and accruals	103,790	105,044	-	-	-	-	-	105,044
-----------------------------	---------	---------	---	---	---	---	---	---------

Derivative financial liabilities

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	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
2017							
Derivatives held for trading							
Cross currency swaps	-	-	-	(1,933)	-	-	(1,933)
Derivatives used for hedging							
Forward purchase agreements							
– Cash inflows	-	-	-	-	-	-	-
– Cash outflows	(30,719)	(89,628)	(96,807)	-	-	-	(217,154)
Net cash outflows	(30,719)	(89,628)	(96,807)	(1,933)	-	-	(219,087)

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.3 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.

37.3.1 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.3 Market risk (continued)

37.3.1 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 2018 RM'000	Investment- linked funds 2018 RM'000	Life fund 2017 RM'000	Investment- linked funds 2017 RM'000
Financial assets Denominated in				
USD	114,406	9,884	115,469	11,918
SGD	-	2,905	-	566
THB	-	113	-	3,161
IDR	-	16,721	-	15,807

Currency risk sensitivity analysis

It is estimated that a 10% (2017: 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 2018 RM'000	Impact on insurance contract liabilities 2017 RM'000
Denominated in		
USD	(12,429)	(12,739)
SGD	(291)	(57)
THB	(11)	(316)
IDR	(1,672)	(1,581)

It is estimated that a 10% (2017: 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.3 Market risk (continued)

37.3.2 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 after tax, equity and insurance contract liabilities.

Life insurance:

Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
31 December 2018				
Interest rate	+100 basis points	(86,803)	(74,782)	(406,337)
Interest rate	-100 basis points	94,685	81,492	466,321
31 December 2017				
Interest rate	+100 basis points	(79,495)	(69,975)	(355,465)
Interest rate	-100 basis points	87,560	76,902	407,903

The impact on profit after 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 after 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.3 Market risk (continued)

37.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

General insurance:

Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000
31 December 2018			
Interest rate	+ 100 basis points	-	(95,994)
Interest rate	+ 50 basis points	-	(47,997)
Interest rate	- 100 basis points	-	95,994
Interest rate	- 50 basis points	-	47,997
31 December 2017			
Interest rate	+ 100 basis points	-	(107,801)
Interest rate	+ 50 basis points	-	(53,900)
Interest rate	- 100 basis points	-	107,801
Interest rate	- 50 basis points	-	53,900

* 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.3 Market risk (continued)

37.3.3 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.

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 after 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	2018			2017		
		Impact on profit after tax [#] RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit after tax [#] RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
Market indices							
Market value	+10%	-	-	134,316	-	-	178,261
Market value	-10%	-	-	(134,316)	-	-	(178,261)

The impact on profit after 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 after 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.3 Market risk (continued)

37.3.3 Equity price risk (continued)

Equity price risk sensitivity analysis (continued)

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.

37.4 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.

37.5 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.5 Fair value of financial instruments (continued)

- 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 policy loans, mortgage loans, automatic premium loans, fixed and call deposits, subordinated loan, other secured loans, other financial liabilities and advance from holding company 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 the 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.

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.5 Fair value of financial instruments (continued)

37.5.1 Fair value information

The table below analyses financial instruments carried at fair value.

Group	Fair value of financial instruments carried at fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2018				
Financial assets				
Malaysian government securities	-	4,180,240	-	4,180,240
Malaysian government guaranteed bonds	-	2,791,816	-	2,791,816
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,505	-	40,505
Quoted equity securities of corporations in Malaysia	1,395,851	-	-	1,395,851
Quoted equity securities of corporations outside Malaysia	3,638	-	-	3,638
Unquoted bonds of corporations in Malaysia	-	4,636,902	-	4,636,902
Unquoted bonds of corporations outside Malaysia	-	115,308	-	115,308
Quoted unit trusts in Malaysia	62,888	-	-	62,888
Unquoted unit trusts in Malaysia	-	215,899	-	215,899
Unquoted unit trusts outside Malaysia	-	25,985	-	25,985
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	164,287	-	164,287
Malaysian government guaranteed loans	-	-	-	-
Collateralised interest rate swap	-	19,482	-	19,482
Forward purchase agreements	-	1,595	-	1,595
Cross currency swap	-	4,982	-	4,982
	1,462,377	12,197,001	-	13,659,378
Financial liabilities				
Forward purchase agreements	-	1,594	-	1,594
Cross currency swap	-	819	-	819
	-	2,413	-	2,413

Notes to the financial statements

37. FINANCIAL RISKS (CONTINUED)

37.5 Fair value of financial instruments (continued)

37.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value (continued).

Group	Fair value of financial instruments carried at fair value			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2017				
Financial assets				
Malaysian government securities	-	3,681,403	-	3,681,403
Malaysian government guaranteed bonds	-	2,695,211	-	2,695,211
Ringgit denominated bonds by foreign issuers outside Malaysia	-	66,029	-	66,029
Quoted equity securities of corporations in Malaysia	1,876,133	-	-	1,876,133
Quoted equity securities of corporations outside Malaysia	4,507	-	-	4,507
Unquoted bonds of corporations in Malaysia	-	4,440,175	-	4,440,175
Unquoted bonds of corporations outside Malaysia	-	116,391	-	116,391
Quoted unit trusts in Malaysia	57,726	-	-	57,726
Unquoted unit trusts in Malaysia	-	19,375	-	19,375
Unquoted unit trusts outside Malaysia	-	26,945	-	26,945
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	262,211	-	262,211
Malaysian government guaranteed loans	-	-	-	-
Collateralised forward starting interest rate swap	-	7,259	-	7,259
Collateralised interest rate swap	-	13,827	-	13,827
Forward purchase agreements	-	99	-	99
Cross currency swap	-	4,352	-	4,352
	1,938,366	11,333,277	-	13,271,643
Financial liabilities				
Forward purchase agreements	-	3,318	-	3,318
Cross currency swap	-	1,933	-	1,933
	-	5,251	-	5,251

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 (2017: no transfer in either direction).

Notes to the financial statements

38. CAPITAL MANAGEMENT

The Group aims to maintain a robust capital management in both its general and life insurance businesses to sustain adequate solvency levels to support business growth, dividend payment to shareholders, return on equity and maintaining capital adequacy above the regulatory requirements. There are no significant changes to the Group's capital management policies and processes during the financial year.

The primary sources of capital of the Group and the Company are shareholder's equity as disclosed in the statement of changes in equity. Share Capital of the Group and the Company comprises ordinary share capital and ICPS.

Regulatory capital requirements

Under the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM, 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 capital level 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.

39. 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. Due to the changes of the Members of Commission who heard AGIC's Oral Representation, AGIC's solicitors had requested MyCC to hold *de novo* (new) proceedings in relation to the AGIC's Oral Representation before the new Members of Commission. AGIC's Oral Representation sessions which took place on 19 and 20 February 2019 have concluded. PIAM is expected to submit its Oral Representation on 21 February 2019.

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.

Notes to the financial statements

40. 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.

On this basis, an Originating Summons has been filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("the Act") and for a Reference of Questions of law under section 42 of the Act. The Court has fixed the latest Hearing Date on 18 February 2019 and has also directed parties to file and exchange their respective Written Submissions by 11 February 2019. AGIC's solicitors presented their Oral Submissions (partially) at the Hearing on 18 February 2019. Two further dates have been fixed for continued Hearing, namely 13 March 2019 and 18 April 2019.

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 163 to 298 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 2018 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:

.....
Tan Sri Datuk (Dr.) Rafiah Binti Salim
Director

.....
Dato' Dr. Thillainathan A/L Ramasamy
Director

Kuala Lumpur
Date: 21 February 2019

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 163 to 298 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 21 February 2019.

.....
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

Our opinion

In our opinion, the financial statements of Allianz Malaysia Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018, and of their financial performance and their 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.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of 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 163 to 298.

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 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.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

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 as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditors' Report

to the Members of Allianz Malaysia Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Valuation of life insurance contract liabilities (actuarial liabilities)</p> <p>Refer to accounting policy in 2.16.5, 2.24.2 and Notes 16(a) and 36.1 of the Financial Statements.</p> <p>As at 31 December 2018, the Group's life insurance contract liabilities comprise actuarial liabilities net of reinsurance of RM7,159 million. The liabilities have been estimated based on actuarial valuation methodologies as allowed under the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM").</p> <p>We focused on this area as management's valuation of these actuarial liabilities involves significant judgement about uncertain future outcomes, including assumptions on mortality, morbidity, expense, and discount rates, as well as actuarial valuation methodologies.</p>	<p>Our audit procedures included the following:</p> <p>We evaluated the design and tested key controls over the life actuarial reserving process, including controls over the reliability of data used in the calculation of actuarial liabilities.</p> <p>We engaged our actuarial experts to assist us in assessing that the valuation methodologies used by the Group is in line with the valuation methods specified in the RBC Framework. We also compared if the valuation methodologies are consistent with recognised actuarial practices derived from market experience.</p> <p>We assessed the reasonableness of the key actuarial assumptions, particularly around mortality, morbidity, expense, and discount rates by:</p> <ol style="list-style-type: none"> i. Reviewing the approach used by management to derive the assumptions using our industry knowledge and experience; ii. Comparing them with the Group's actual historical experience, market observable data (as applicable) and our views of current trends and experience to-date. <p>We performed independent review of model points on sample basis to assess if the methodologies and assumptions reviewed have been consistently applied.</p> <p>We assessed the analysis of movements in actuarial liabilities to determine whether the movements during the year are consistent with key actuarial assumptions adopted by the Group and our knowledge of developments in the life insurance business.</p> <p>We assessed the appropriateness and adequacy of the Group's disclosures in relation to actuarial liabilities in the financial statements, including sensitivity analysis of the key actuarial assumptions to different scenarios.</p> <p>Based on the procedures performed, the methodologies and key assumptions used by the Group in the valuation of actuarial liabilities as at 31 December 2018 are not inappropriate.</p>

Independent Auditors' Report to the Members of Allianz Malaysia Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
<p>Valuation of general insurance contract liabilities</p> <p>Refer to accounting policy in 2.15.5, 2.24.1 and Notes 16(b) and 36.2 of the Financial Statements.</p> <p>As at 31 December 2018, the Group has general insurance contract liabilities of RM3,506 million, consisting of claims liabilities and premium liabilities, which account for approximately 25% of the Group's total liabilities.</p> <p>Claims Liabilities</p> <p>We focused our audit on this area because of the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain.</p> <p>The valuation of general insurance claims liabilities involves a range of standard actuarial methodologies as allowed under the RBC Framework and relies on a number of assumptions including past claims development experiences, management's judgment on external factors and regulatory changes, and internal factors such as portfolio mix and claims handling process. The estimation of claims liabilities is sensitive to various factors and uncertainties as discussed in Note 2.24.1.</p> <p>Premium Liabilities</p> <p>As at 31 December 2018, the Group has accounted for RM1,030 million of gross premium liabilities, based on the higher of Unexpired Risk Reserves ("URR") of RM815 million and Unearned Premium Reserves ("UPR") of RM1,030 million as required under the RBC Framework.</p> <p>We focused on this area as the estimation of URR involves significant judgement in identifying best estimate values of future contractual cash flows in consideration of the expected loss and expenses for policies in-force as at year-end at the required risk margin for adverse deviation.</p>	<p>Our audit procedures included the following:</p> <p>We evaluated the design and tested key controls over reserving process, including controls over the completeness and accuracy of premium data, and settlement of claims that support key reserving calculations and controls over the valuation of claims and premium liabilities.</p> <p>We tested the underlying data used in estimation of general insurance contract liabilities to source documents.</p> <p>We engaged our actuarial experts to assist us in reviewing and assessing the methodologies, basis and key assumptions used in the valuation of claims liabilities and premium liabilities in accordance with the requirements of the RBC Framework and liability adequacy test under MFRS 4 'Insurance Contracts'.</p> <p>We reviewed and assessed the reasonableness of key actuarial assumptions by referencing to the Group's historical experiences, current trends and our own industry knowledge.</p> <p>Our actuarial experts performed independent re-projections of claims liabilities and unexpired risk reserves ("URR") respectively for selected major classes of business, focusing on the largest and most uncertain claims reserves and URR. The re-projected claims liabilities and URR are compared to those recorded by management and evaluated if they are within range.</p> <p>We also assessed the appropriateness and adequacy of the Group's disclosures in relation to the general insurance contract liabilities in the financial statements, including the historical claims development and sensitivity analysis of key assumptions used in the valuation of insurance contract liabilities.</p> <p>Based on the procedures performed, the methodology and key assumptions used by the Group in the valuation of general insurance contract liabilities as at 31 December 2018 are not inappropriate.</p>

Independent Auditors' Report

to the Members of Allianz Malaysia Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

There are no key audit matters in relation to the financial statements of the Company.

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 Directors' Report and Statement on Risk Management and Internal Control, which we 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 that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do 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 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.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the 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 Group's and the Company's ability to continue as a going concern, 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.

Independent Auditors' Report to the Members of Allianz Malaysia Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 scepticism throughout the audit. We also:

- (a) 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.
- (b) 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 Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) 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 Group's or the Company's ability to continue as a going concern. 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 a going concern.
- (e) 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 achieves fair presentation.
- (f) 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.

Independent Auditors' Report

to the Members of Allianz Malaysia Berhad

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

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 report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

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.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

Kuala Lumpur
21 February 2019

MANJIT SINGH A/L HAJANDER SINGH

02954/03/2019 J

Chartered Accountant

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 45th Annual General Meeting of Allianz Malaysia Berhad (“Company”) will be held at Grand Ballroom, Level 2, Aloft Kuala Lumpur Sentral, 5 Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Thursday, 30 May 2019 at 11.00 a.m. for the following purposes:

AGENDA

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 RM2,280,575 for the financial year ended 31 December 2018. **Ordinary Resolution 1**
 - (b) Directors’ remuneration (excluding Directors’ fees) of up to an amount of RM1,127,635 from 31 May 2019 until the next Annual General Meeting of the Company. **Ordinary Resolution 2**
3. To re-elect Tan Sri Datuk (Dr.) Rafiah Binti Salim, who retires by rotation in accordance with Article 96 of the Articles of Association (Constitution) of the Company and being eligible, offer herself for re-election. **Ordinary Resolution 3**
4. To re-elect the following Directors who were appointed to the Board during the year and retires in accordance with Article 102 of the Articles of Association (Constitution) of the Company and being eligible, offers themselves for re-election:
 - (a) Marzida Binti Mohd Noor **Ordinary Resolution 4**
 - (b) Solmaz Altin **Ordinary Resolution 5**
 - (c) Renate Wagner **Ordinary Resolution 6**
5. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions:

6. **Proposed Shareholders’ Mandate for Recurrent Related Party Transactions with Allianz SE Group** **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 transactions with Allianz SE Group as specified in Section 2.2 (A) of Part A of the Company’s Circular to Shareholders dated 30 April 2019, 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.

Notice of Annual General Meeting

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 9

“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 Rapidpro Consulting Sdn Bhd as specified in Section 2.2 (B) of Part A of the Company’s Circular to Shareholders dated 30 April 2019, 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.”

Notice of Annual General Meeting

To consider and if thought fit, to pass the following Special Resolution:

8. Proposed Adoption of the New Constitution of the Company

Special Resolution 1

“THAT subject to the approval being obtained from the irredeemable convertible preference share holders, approval be and is hereby given to revoke the existing Memorandum and Articles of Association of the Company with immediate effect and in place thereof, the proposed new Constitution of the Company as set out in Appendix III of Part B of the Company’s Circular to Shareholders dated 30 April 2019 AND THAT the Directors be and is hereby authorised to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the proposed new Constitution of the Company.”

9. 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

30 April 2019

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 45th Annual General Meeting of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 21 May 2019. Only a depositor whose name appears in the Record of Depositors as at 21 May 2019 shall be entitled to attend and vote at the 45th Annual General Meeting or appoint proxy/proxies to attend and vote on his/her behalf.
2. Every Member including authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”), and Exempt Authorised Nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, is entitled to appoint one (1) or more proxy to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the 45th Annual General Meeting, and that proxy needs not be a Member of the Company.
3. The instrument of proxy must be in writing under the hand of the appointor or his/her attorney. If the appointor is a corporation, under its common seal or the hand of its attorney. Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
4. 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 45th Annual General Meeting.

Notice of Annual General Meeting

B. EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for the financial year ended 31 December 2018

The Audited Financial Statements for the financial year ended 31 December 2018 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 (excluding Nominee Directors of Allianz SE)

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 (excluding Nominee Directors of Allianz SE) 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 ("Allianz Life") and Allianz General Insurance Company (Malaysia) Berhad ("Allianz General").

(a) Directors' fees for the financial year ended 31 December 2018

The Directors' fees for the financial year ended 31 December 2018 are made up of the following components and are only payable to Non-Executive Directors (excluding Nominee Directors of Allianz SE):

(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.

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 (excluding Nominee Directors of Allianz SE) for the financial year ended 31 December 2018, for the shareholders' approval:

	Company	Allianz Life	Allianz General	Grand Total
Directors' Fees [#]	RM719,134	RM723,587	RM837,854	RM2,280,575
	(2017: RM720,671)	(2017: RM850,245)	(2017: RM971,175)	(2017: RM2,542,091)

Excluding Service Tax

All the Non-Executive Directors (excluding Nominee Directors of Allianz SE) abstained from the deliberation and voting on their respective fees at the respective Nomination and Remuneration Committee and Board Meetings, where applicable.

The proposed Directors' fees for the financial year ended 31 December 2018 are detailed in the 2018 Corporate Governance Report of the Company.

Notice of Annual General Meeting

- (b) Directors' remuneration (excluding Directors' fees) for the period from 31 May 2019 to the next Annual General Meeting of the Company

The Directors' remuneration (excluding Directors' fees) comprises allowances and benefits payable to the Chairman and members of the Board of the respective companies 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	2019	RM12,000	Nil	RM12,000	Nil
	2020	RM12,000	Nil	RM12,000	Nil
Meeting Allowance - Board - Board Committees	2019	RM2,645 (per meeting)		RM2,645 (per meeting)	
	2020				
Insurance*	2019	Insurance*, company car and driver	Insurance*	Insurance*	
	2020				

* 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.

Payment of the Directors' remuneration (excluding Directors' fees) will be made by the respective companies on a monthly basis and/or as and when incurred if the proposed Ordinary Resolution 2 is passed at the 45th Annual General Meeting. In determining the estimated total amount payable to the Chairman and the Directors of the respective companies, 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 (excluding Nominee Directors of Allianz SE) involved in these meetings.

3. Re-election of Directors who retire in accordance with Articles 96 and 102 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 annual general meeting of the Company. A retiring Director shall be eligible for re-election.

Article 102 of the Company's Articles of Association (Constitution) provides that the Directors shall have power at any time, and from time to time, to appoint any other qualified person as a Director, either to fill a casual vacancy or as an addition to the Board, but so that the total number of Directors shall not at any time exceed the maximum number fixed. But any Director so appointed shall hold office only until the next following annual general meeting of the Company, and shall then be eligible for re-election.

Tan Sri Datuk (Dr.) Rafiah Binti Salim will retire at the 45th Annual General Meeting pursuant to Article 96 of the Articles of Association (Constitution) of the Company.

Notice of Annual General Meeting

Tan Sri Datuk (Dr.) Rafiah Binti Salim has indicated her willingness to seek for re-election and abstained from the deliberation and voting of her re-election at the respective Nomination and Remuneration Committee and Board Meetings.

Marzida Binti Mohd Noor, Solmaz Altin and Renate Wagner were appointed in 2018, accordingly, they are standing for re-election pursuant to Article 102 of the Company's Articles of Association (Constitution) at the 45th Annual General Meeting. They have indicated their willingness to seek for re-election and abstained from the deliberation and voting of their respective re-election at the Board Meeting.

The Nomination and Remuneration Committee having assessed and satisfied with the performance of Tan Sri Datuk (Dr.) Rafiah Binti Salim, Marzida Binti Mohd Noor, Solmaz Altin and Renate Wagner, recommended their re-election for the Board's approval.

The Board having reviewed the performance evaluations of Tan Sri Datuk (Dr.) Rafiah Binti Salim, Marzida Binti Mohd Noor, Solmaz Altin and Renate Wagner and the recommendation of the Nomination and Remuneration Committee, recommended the re-election of the said four (4) retiring Directors for the shareholders' approval.

The profile of Tan Sri Datuk (Dr.) Rafiah Binti Salim, Marzida Binti Mohd Noor, Solmaz Altin and Renate Wagner are set out in the Board of Directors' Profile in this Annual Report.

4. Re-appointment of Auditors

The Audit Committee reviewed the proposed re-appointment of PricewaterhouseCoopers PLT ("PwC PLT") (including of engagement partner and concurring partner) as Auditors for the Company and its insurance subsidiaries for the financial year ending 31 December 2019 and concluded that PwC PLT met all the evaluation criteria as prescribed by the relevant authorities. The Audit Committee recommended the proposed re-appointment of PwC PLT to the respective Boards of the Company and its insurance subsidiaries for consideration.

The Board having satisfied that PwC PLT met the evaluation criteria as prescribed by the relevant authorities, recommended the proposed re-appointment of PwC PLT as Auditors of the Company for the financial year ending 31 December 2019, for the shareholders' approval.

C. EXPLANATORY NOTES ON SPECIAL BUSINESS

Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The Company is principally engaged in investment holding whilst the principal activities of its subsidiaries are underwriting of all classes of general insurance business, life insurance and investment-linked businesses.

It is anticipated that the Company and its insurance subsidiaries 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 Part A of the Company's Circular to Shareholders dated 30 April 2019.

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 8 and 9, to allow the Company and its insurance subsidiaries in its ordinary course of business, to enter into recurrent related party transactions with the respective related parties as detailed in Section 2.2 of Part A of the Company's Circular to Shareholders dated 30 April 2019, 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.

Detailed information in relation to the proposed shareholders' mandate for recurrent related party transactions are set out in Part A of the Company's Circular to Shareholders dated 30 April 2019, despatched together with this Annual Report.

Notice of Annual General Meeting

Proposed Adoption of the New Constitution of the Company (“Proposed Adoption”)

The Proposed Adoption is subject to the approval of the irredeemable convertible preference share (“ICPS”) holders at a meeting to be held at 10.00 a.m. on the same day and the same venue of the 45th Annual General Meeting of the Company.

The shareholders’ approval is sought for the Company to revoke the existing Memorandum and Articles of Association in its entirety and in place thereof, to adopt the proposed new Constitution as set out in Appendix III of Part B of the Company’s Circular to Shareholders dated 30 April 2019.

The Proposed Adoption is primarily for the purpose of streamlining the Company’s existing Memorandum and Articles of Association to be in line with the amendments made to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the prevailing statutory and regulatory requirements applicable to the Company.

Detailed information in relation to the Proposed Adoption are set out in Part B of the Company’s Circular to Shareholders dated 30 April 2019, 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 45th Annual General Meeting:

Interested Directors	Ordinary Resolution No.	Direct Shareholding
Tan Sri Datuk (Dr.) Rafiah Binti Salim	1, 2 and 3	Nil
Foo San Kan	1 and 2	Nil
Dato’ Dr. Thillainathan A/L Ramasamy	1 and 2	6,400 ordinary shares [^]
Tunku Zain Al-’Abidin Ibni Tuanku Muhriz	1 and 2	Nil
Marzida Binti Mohd Noor	1, 2 and 4	Nil
Solmaz Altin	5 and 8	Nil
Renate Wagner	6 and 8	Nil

[^] Deemed interest by virtue of ordinary shares acquired by his spouse pursuant to Section 59(11) of the Companies Act 2016.

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 45th Annual General Meeting.

E. NOTE TO THE HOLDERS OF ICPS

The holders of ICPS shall be entitled to attend the 45th Annual General Meeting but have no right to vote at the 45th Annual General Meeting. 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.

This page has been intentionally left blank.

Form of Proxy

Allianz Malaysia Berhad (12428-W)
(Incorporated in Malaysia)

Pursuant to the Allianz Privacy Standard, 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 45th 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. However, if you or your proxy/proxies have a residential address in any of the European Union ("EU") member states, please reach out to us at: privacy@allianz.com.my in order for us to assess and comply with the EU Privacy Law - General Data Protection Regulation.

Number of Shares Held	
CDS Account No.	
Contact No.	

I/We _____
(Full Name of Shareholder as per NRIC/Passport/Certificate of Incorporation)

NRIC/Passport/Company No. _____ of _____

(Full Address)

being a member/members of ALLIANZ MALAYSIA BERHAD ("Company") hereby appoint:

Full Name	NRIC/Passport No.	Address	Proportion of Shareholdings	
			No. of Shares Held	%

and/or (delete as appropriate)

Full Name	NRIC/Passport No.	Address	Proportion of Shareholdings	
			No. of Shares Held	%

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 45th 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 Thursday, 30 May 2019 at 11.00 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.

RESOLUTIONS		FOR	AGAINST
Ordinary Resolutions			
1	Approval for payment of Directors' fees		
2	Approval for payment of Directors' remuneration (excluding Directors' fees)		
3	Re-election of Tan Sri Datuk (Dr.) Rafiah Binti Salim as Director		
4	Re-election of Marzida Binti Mohd Noor as Director		
5	Re-election of Solmaz Altin as Director		
6	Re-election of Renate Wagner as Director		
7	Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors and authority to the Directors to fix the Auditors' remuneration		
8	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Allianz SE Group		
9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Rapidpro Consulting Sdn Bhd		
Special Resolution			
1	Proposed adoption of the new Constitution of the Company		

As witness my/our hand this _____ day of _____ 2019.

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 45th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 21 May 2019. Only a depositor whose name appears in the Record of Depositors as at 21 May 2019 shall be entitled to attend, speak and vote at the 45th AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. Every Member including authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), and Exempt Authorised Nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, is entitled to appoint one (1) or more proxy to exercise all or any of his/her rights to attend, speak and vote on his/her behalf at the 45th AGM, and that proxy needs not be a Member of the Company.

3. The instrument of proxy must be in writing under the hand of the appointor or his/her attorney. If the appointor is a corporation, under its common seal or the hand of its attorney. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
4. 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 45th AGM.

NOTE TO THE HOLDERS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE ("ICPS")

The holders of ICPS shall be entitled to attend the 45th AGM but have no right to vote at the 45th 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.

Fold Here

AFFIX
STAMP

The Company Secretary
Allianz Malaysia Berhad (12428-W)
Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

Fold Here

Allianz Malaysia Berhad
(12428-W)

Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

Tel: +603 2264 1188/ 2264 0688
Fax: +603 2264 1199

allianz.com.my