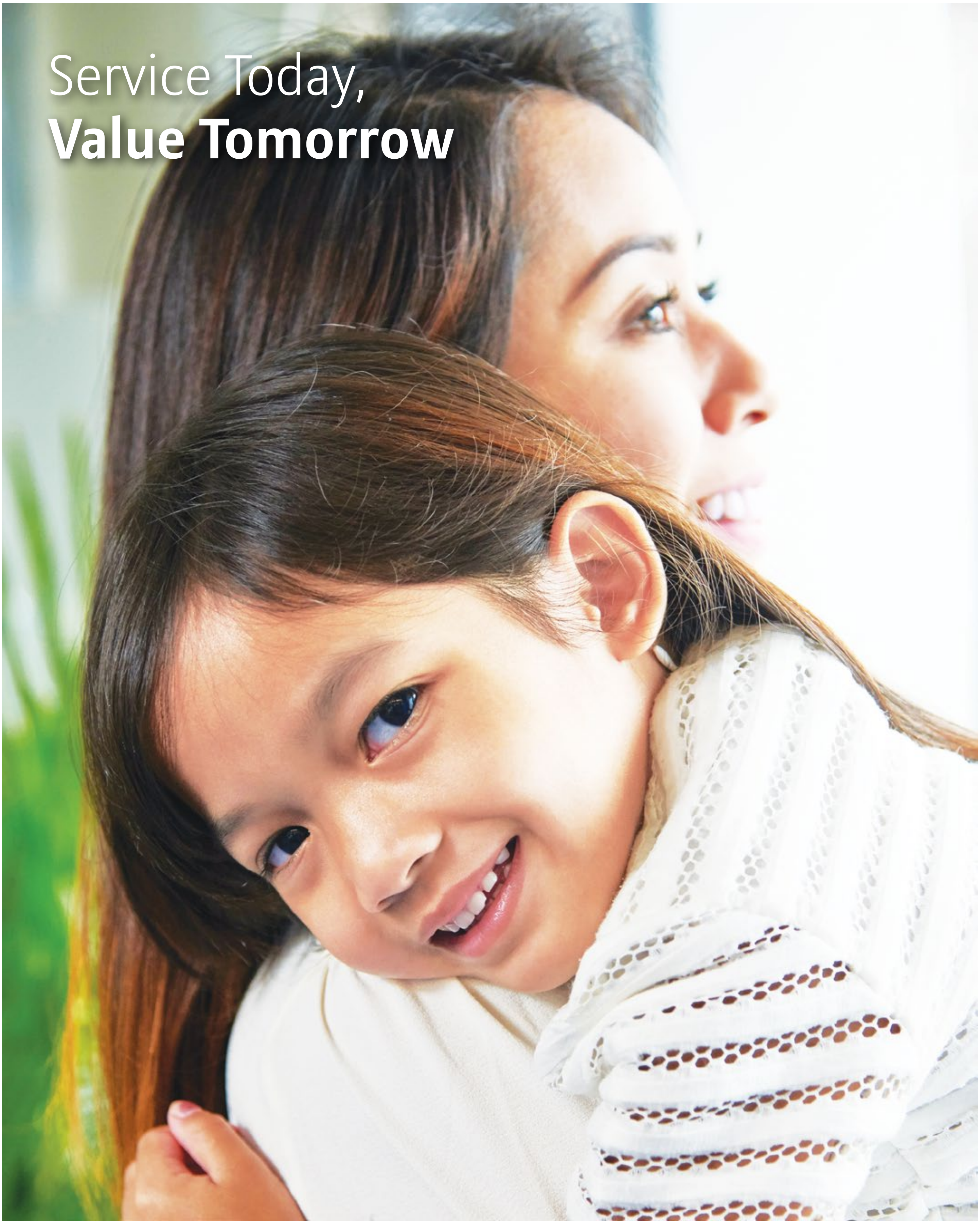
Service Today,
Value Tomorrow



Allianz Malaysia Berhad (12428-W)
ANNUAL REPORT 2016

Allianz

CONTENTS

COVER STORY

In order for us to remain successful and strong in this constantly changing environment, we've developed our Renewal Agenda. Our renewed focus takes concrete steps towards becoming an Allianz that is consistently customer-focused and digital throughout our business. We will become even more flexible and focused on our customers. At the same time, our intrinsic values will remain the same as in the past 125 years: with integrity, competence, and resilience. We are implementing the Renewal Agenda together – full of optimism, ideas and confidence in our own capabilities because we have excellent and in many cases unique resources. Ultimately, we know that the greater customer service we provide today, brings absolute value tomorrow.

2016 KEY FINANCIAL FIGURES

OPERATING REVENUE
RM4,678.49 million

GROSS WRITTEN PREMIUM
RM4,182.60 million

PROFIT BEFORE TAX
RM454.59 million
+3.7%

TOTAL ASSETS
RM14,912.38 million
+9.5%

SHAREHOLDERS' FUND
RM2,879.52 million
+9.9%

MARKET CAPITALISATION
RM3,500.25 million
-3.7%

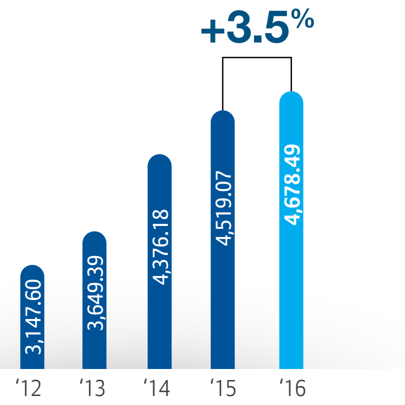
BASIC EARNINGS PER ORDINARY SHARE
182.27 sen
-0.4%

PROPOSED DIVIDEND PER ORDINARY SHARE
9.00 sen
+38.5%

ALLIANZ AT A GLANCE

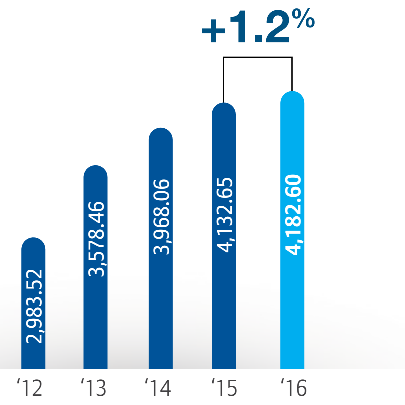
Operating Revenue

RM million
4,678.49



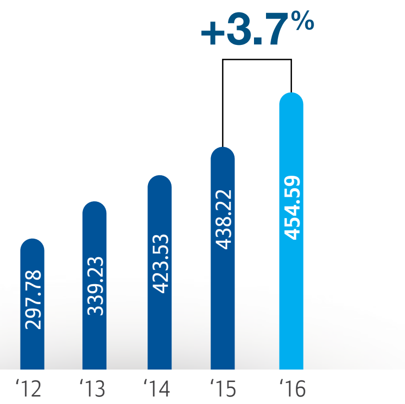
Gross Written Premium

RM million
4,182.60



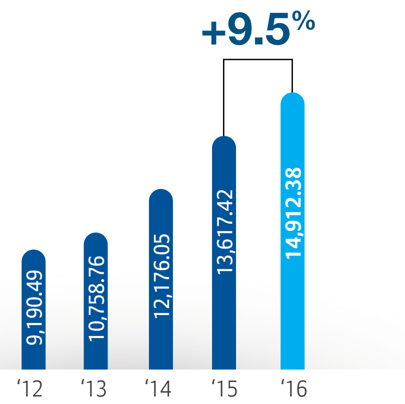
Profit Before Tax

RM million
454.59



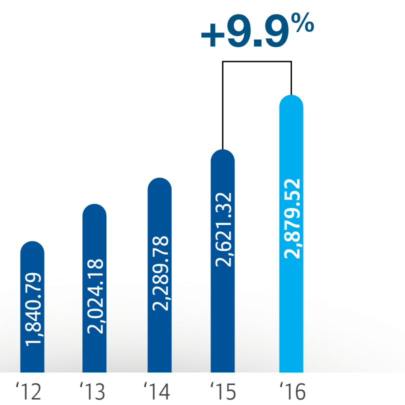
Total Assets

RM million
14,912.38



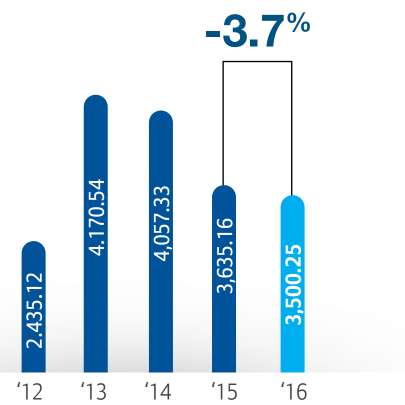
Shareholders' Fund

RM million
2,879.52



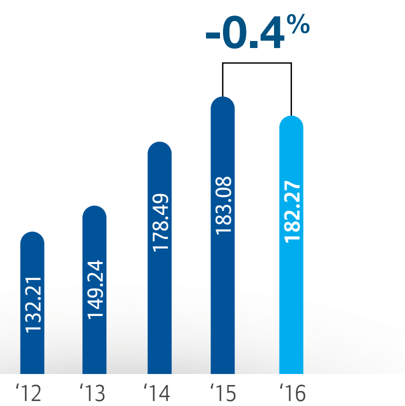
Market Capitalisation

RM million
3,500.25



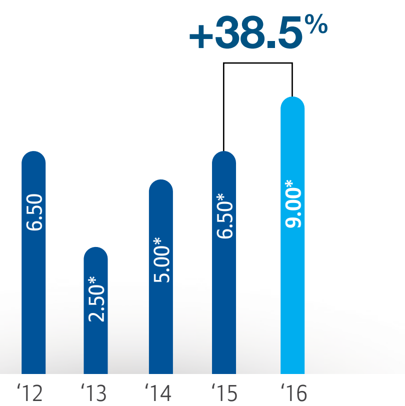
Basic Earnings per Ordinary Share

Sen
182.27



Dividend per Ordinary Share

Sen
9.00 *



ALLIANZ AT A GLANCE

Group		2016	2015	2014	2013	2012
Operating Revenue	(RM million)	**4,678.49**	4,519.07	4,376.18	3,649.39	3,147.60
Gross Written Premium	(RM million)	**4,182.60**	4,132.65	3,968.06	3,578.46	2,983.52
Profit Before Tax	(RM million)	**454.59**	438.22	423.53	339.23	297.78
Total Assets	(RM million)	**14,912.38**	13,617.42	12,176.05	10,758.76	9,190.49
Shareholders' Fund	(RM million)	**2,879.52**	2,621.32	2,289.78	2,024.18	1,840.79
Market Capitalisation#	(RM million)	**3,500.25**	3,635.16	4,057.33	4,170.54	2,435.12
Interim/Final gross dividend paid per share						
- Ordinary Share	(sen)	**9.00***	6.50*	5.00*	2.50*	6.50
- Preference Share	(sen)	**10.80**	7.80	6.00	3.00	7.80
Total amount dividend paid						
- Ordinary Share	(RM'000)	**15,633.66**	11,006.00	8,374.41	4,169.20	7,773.72
- Preference Share	(RM'000)	**18,629.83**	13,796.85	10,723.05	5,383.13	14,566.10
Return on Equity^		**11.3%**	12.6%	13.7%	12.3%	11.9%
Operating Revenue Growth		**3.5%**	3.3%	19.9%	15.9%	14.4%
Gross Written Premium Growth		**1.2%**	4.1%	10.9%	19.9%	14.5%
Basic Earnings per Ordinary Share	(sen)	**182.27**	183.08	178.49	149.24	132.21
Diluted Earnings per Ordinary Share	(sen)	**90.80**	89.37	85.89	58.94	54.41
Net Asset Value per Ordinary Share	(RM)	**16.58**	15.48	13.67	12.59	11.60
Diluted Net Asset Value per Ordinary Share	(RM)	**8.32**	7.57	6.61	5.85	5.32

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

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

* Single tier dividend.

ALLIANZ MALAYSIA VISION

To be the most reliable partner, always delivering in moments of truth.

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

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

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

ALLIANZ MALAYSIA MISSION

Insurance solutions from A – Z

Allianz

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.

CUSTOMER FOCUS

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

INTEGRITY

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

HIGH PERFORMANCE CULTURE

We encourage, recognise and reward exceptional performance

OPEN COMMUNICATION

We practise and promote clear, open and transparent communication

CORPORATE RESPONSIBILITY

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

Products and Services

Allianz PrimeSaver

Save for the future and be rewarded in the present

- Potential to **reap higher investment** returns
- Wide range of **choice to suit** level of affordability
- Get **Guaranteed** Cash Payment
- Option to either **withdraw or reinvest** the Guaranteed Cash Payment
- **Guaranteed** Maturity Benefit
- **Double Indemnity** for Accidental Death

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
: ng.siewgek@allianz.com.my

REGISTERED OFFICE

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

HEAD OFFICE

Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur
: 03-22641188/22640688
: 03-22641199
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
: 03-27839299
: 03-27839222
: is.enquiry@my.tricorglobal.com

Tricor's Customer Service Centre
Unit G-3, Ground Floor
Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

AUDITORS

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

PRINCIPAL BANKERS

CIMB Bank Berhad
Citibank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad

PRINCIPAL SOLICITORS

Wong & Partners

GROUP STRUCTURE

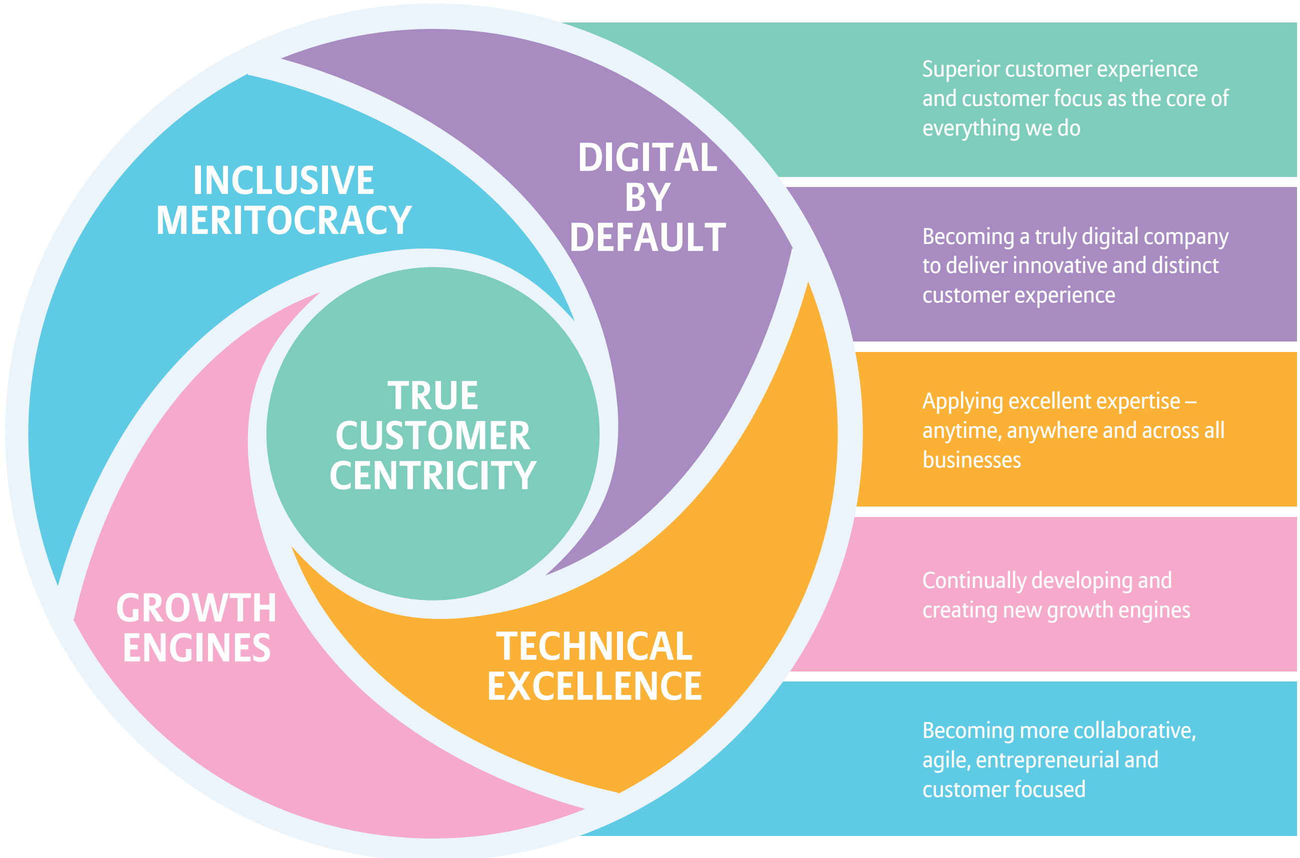
ALLIANZ MALAYSIA BERHAD

- 100% — Allianz Life Insurance Malaysia Berhad
- 100% — Allianz General Insurance Company (Malaysia) Berhad
- 100% — Bright Mission Berhad (In Members Voluntary Liquidation)

RENEWAL AGENDA

Renewal Agenda levers create foundations for commanding positions of our businesses.

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



ALLIANZ GROUP AT A GLANCE

With over **140,000** **employees** worldwide, the Allianz Group serves **86.3** **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 2016 the Allianz Group achieved total revenues of approximately **122.4** **billion** euros.

Allianz is one of the world's largest asset managers, with third-party assets of **1,361** **billion** euros under management at year end 2016.

NATIONWIDE PRESENCE

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

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

CENTRAL REGION

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

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

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

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

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

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

NATIONWIDE PRESENCE

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

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

PERAK STATE

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

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

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

NORTHERN REGION

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

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

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

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

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

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

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

SOUTHERN REGION

SOUTHERN REGION CLAIM HUB JOHOR BAHRU
No. 88-B, Jalan Serampang
Taman Pelangi
Johor Bahru 80400
Johor Darul Takzim
Tel : 07-3330311
Fax : 07-3330300

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

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

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

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

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

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

NATIONWIDE PRESENCE

EAST COAST REGION

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

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

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

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

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

SABAH REGION

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

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

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

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

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

SARAWAK REGION

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

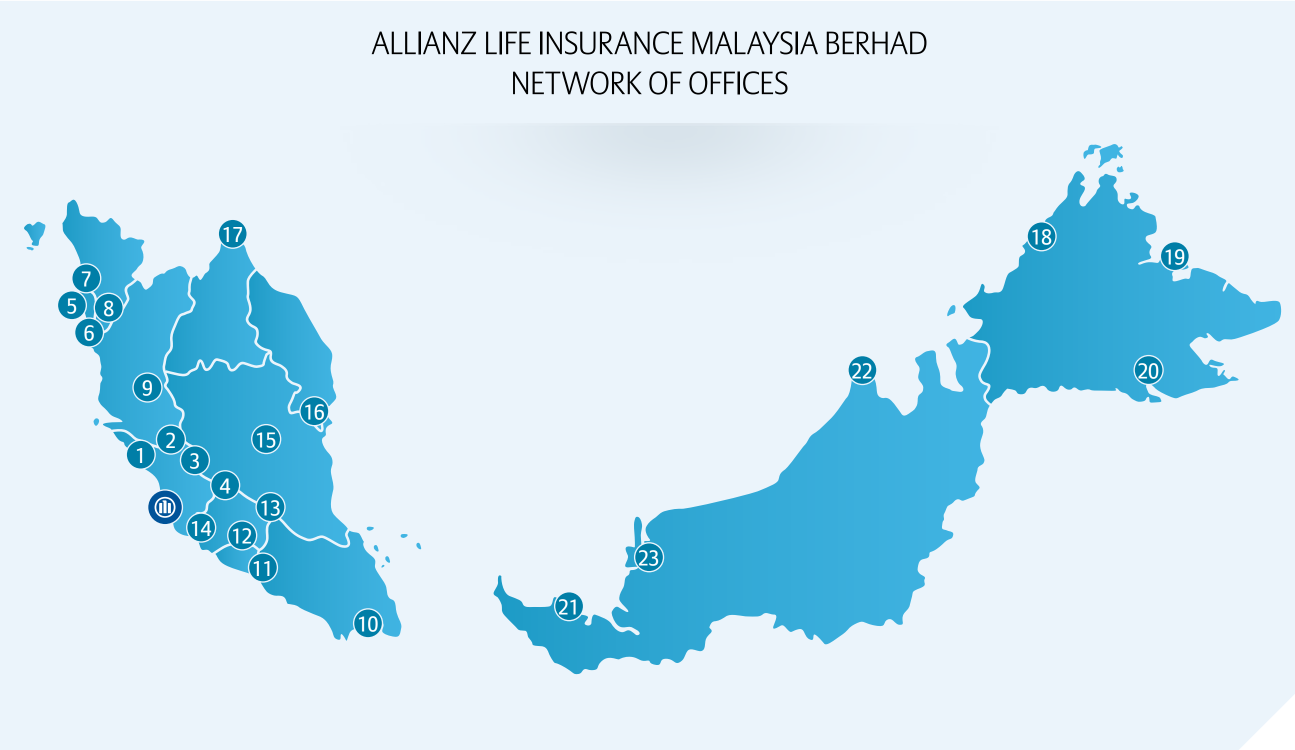
32 MIRI
Lot 3544, 2nd Floor
Lot 3545, Ground, 1st & 2nd Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri, Sarawak
Tel : 085-324901
Fax : 085-324752 / 085-324753

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

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

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

NATIONWIDE PRESENCE



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

CENTRAL REGION

1 PETALING JAYA
No. 15, Ground Floor
Jalan 8/1D, Section 8
Petaling Jaya 46050
Selangor Darul Ehsan
Tel : 03-79551605
Fax : 03-79551607

2 DESA JAYA
Wisma Allianz Life
No. 11-14, Jalan 53
Desa Jaya Commercial Centre
Taman Desa
Kepong 52100
Selangor Darul Ehsan
Tel : 03-62758000
Fax : 03-62757100

3 KLANG
No. 46, Jalan Tiara 2C
Bandar Baru Klang
Klang 41150
Selangor Darul Ehsan
Tel : 03-33466033
Fax : 03-33453288

4 SEREMBAN
No. 44, Ground Floor
Jalan S2 B18, Biz Avenue
Seremban 2
Seremban 70300
Negeri Sembilan Darul Khusus
Tel : 06-6011007
Fax : 06-6011099

NORTHERN REGION

5 PENANG
Ground & 1st Floor
No.1 China Street
10200 Georgetown
Penang
Tel : 04-2519899
Fax : 04-2519699

6 BUKIT MERTAJAM
No. 487, Jalan Permatang Rawa
Bandar Perda, Bukit Mertajam
14000 Penang
Tel : 04-5377231
Fax : 04-5378231

NATIONWIDE PRESENCE

7 ALOR SETAR
No. 301, Ground & 2nd Floor
Jalan Lumpur
Alor Setar 05100
Kedah Darul Aman
Tel : 04-7345091
Fax : 04-7317271

8 SUNGAI PETANI
No. 62B, 1st Floor
Jalan Pengkalan, Pekan Baru
Sungai Petani 08000
Kedah Darul Aman
Tel : 04-4256863
Fax : 04-4256861

9 IPOH
Unit No. A-G-1 & A-2-1
Ground & 2nd Floor
Greentown Square
Jalan Dato' Seri Ahmad Said
Ipoh 30450
Perak Darul Ridzuan
Tel : 05-2419752
Fax : 05-2416898

SOUTHERN REGION

10 JOHOR BAHRU
No. 86, Jalan Serampang
Taman Pelangi
Johor Bahru 80400
Johor Darul Takzim
Tel : 07-3325981
Fax : 07-3326462

11 KLUANG
No. 5, Ground Floor
Jalan Persiaran Yayasan
Kluang 86000
Johor Darul Takzim
Tel : 07-7715588
Fax : 07-7738097

12 BATU PAHAT
No. 1-2 & 1-2B, Ground & 2nd Floor
Jalan Maju 1, Taman Maju
Batu Pahat 83000
Johor Darul Takzim
Tel : 07-4343313
Fax : 07-4332166

13 MUAR
No. 1, Ground, 1st & 2nd Floor
Pusat Dagangan Bakri
Jalan Bakri, Muar 84000
Johor Darul Takzim
Tel : 06-9545689
Fax : 06-9545684

14 MELAKA
No. 374, Ground & 2nd Floor
Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka
Tel : 06-2823377
Fax : 06-2820793

EAST COAST REGION

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

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

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

SABAH REGION

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

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

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

SARAWAK REGION

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

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

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

BOARD OF DIRECTORS' PROFILE

(As at 29 March 2017)

TAN SRI RAZALI BIN ISMAIL

Chairman – Independent Non-Executive Director

Age: 77
Nationality: Malaysian
Gender: Male

Date of Appointment:
25 September 2001

Length of Service:
8 years 1 month*

Date of Last Re-appointment:
25 May 2016 (pursuant to Section 129 (6) of the Companies Act, 1965)

Membership of Board Committee:
1. Member of Audit Committee
2. Member of Nomination and Remuneration Committee

Qualification:
1. Bachelor of Arts (Honours) Degree from the University of Malaya in 1962
2. Honorary Doctorate from the National University of Malaysia in 1993
3. Honorary Doctorate in Law from the University Science Malaysia in 1998

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

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

Directorships of Public Companies:
1. Chairman of Allianz Malaysia Berhad;
2. Chairman of Allianz General Insurance Company (Malaysia) Berhad;
3. Chairman of Allianz Life Insurance Malaysia Berhad;
4. Chairman of IRIS Corporation Berhad; and
5. Chairman of Cypark Resources Berhad.

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

Board Meeting Attendance:
6 out of 6 Board Meetings held in 2016

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

Tan Sri Razali does not hold any share in the Company and its subsidiaries and also does not have any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2016.

Note:
* On 2 July 2002, Tan Sri Razali Bin Ismail was re-designated to Non-Independent Non-Executive Chairman as a result of his disqualification as an Independent Director of the Company pursuant to the paragraph 1.01 (g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LR"). With the approval from the Board, Tan Sri Razali was subsequently re-designated as an Independent Non-Executive Director of the Company on 26 November 2009 following his compliance with the definition of Independent Director as prescribed in the LR. Accordingly, the cumulative term of Tan Sri Razali as an Independent Non-Executive Director of the Company as at 29 March 2017 is approximately 8 years 1 month.

BOARD OF DIRECTORS' PROFILE

(As at 29 March 2017)

FOO SAN KAN

Independent
Non-Executive Director

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

Directorships of Public Companies:
1. Allianz Malaysia Berhad;
2. Allianz General Insurance Company (Malaysia) Berhad;
3. Allianz Life Insurance Malaysia Berhad;
4. OSK Holdings Berhad;
5. Malaysian Trustees Berhad;
6. RHB Trustees Berhad; and
7. PJ Development Holdings Berhad.

Board Meeting Attendance:
6 out of 6 Board Meetings held in 2016

Other Information:
Foo San Kan does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2016.

Age: 68
Nationality: Malaysian
Gender: Male

Date of Appointment:
25 November 2005

Length of Service:
11 years 4 months

Date of Last Re-election:
9 June 2015

Membership of Board Committee:
1. Chairman of Audit Committee
2. Member of Risk Management Committee
3. Member of Nomination and Remuneration Committee

Qualification:
1. Fellow of the Institute of Chartered Accountants in England and Wales in 1973
2. Chartered Accountant of the Malaysian Institute of Accountants in 1974
3. Member of the Malaysian Institute of Certified Public Accountants in 1974
4. Fellow of the Chartered Tax Institute of Malaysia in 1992

(As at 29 March 2017)

DATO' DR. THILLAINATHAN A/L RAMASAMY

Independent
Non-Executive Director

Age: 72
Nationality: Malaysian
Gender: Male

Date of Appointment:
24 June 2011

Length of Service:
5 years 9 months

Date of Last Re-appointment:
25 May 2016 (pursuant to Section 129 (6) of the Companies Act, 1965)

Membership of Board Committee:
1. Chairman of Risk Management Committee
2. Member of Audit Committee
3. Member of Nomination and Remuneration Committee

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

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

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

Directorships of Public Companies:
1. Allianz Malaysia Berhad;
2. Allianz General Insurance Company (Malaysia) Berhad;
3. Allianz Life Insurance Malaysia Berhad;
4. Genting Berhad;
5. Institute for Democracy and Economic Affairs Berhad; and
6. Public Investment Bank Berhad.

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

Board Meeting Attendance:
6 out of 6 Board Meetings held in 2016

Other Information:
Dato' Dr. Thillainathan does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2016.

BOARD OF DIRECTORS' PROFILE

(As at 29 March 2017)

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Independent
Non-Executive Director

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

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

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

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

Directorships of Public Companies:
1. Allianz Malaysia Berhad;
2. Allianz General Insurance Company (Malaysia) Berhad;
3. Allianz Life Insurance Malaysia Berhad;
4. Chairperson of Malaysian Genomics Resource Centre Berhad;
5. National Entrepreneurship Board (Perbadanan Usahawan Nasional Berhad); and
6. Nestle (Malaysia) Berhad.

Board Meeting Attendance:
5 out of 6 Board Meetings held in 2016

Other Information:
Tan Sri Datuk (Dr.) Rafiah does not hold any share in the Company and its subsidiaries. She also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2016.

Age: 69
Nationality: Malaysian
Gender: Female

Date of Appointment:
23 November 2012

Length of Service:
4 years 4 months

Date of Last Re-election:
25 May 2016

Membership of Board Committee:
1. Chairperson of Nomination and Remuneration Committee
2. Member of Risk Management Committee
3. Member of Audit Committee

Qualification:
1. Bachelor of Laws from the Queen's University of Belfast, United Kingdom in 1971
2. Master of Laws from the Queen's University of Belfast, United Kingdom in 1974
3. Certificate of Legal Practice in 1987
4. Advocate & Solicitor of the High Court of Malaya in 1987
5. Honorary Doctorate from the Queen's University of Belfast, United Kingdom in 2005

BOARD OF DIRECTORS' PROFILE

(As at 29 March 2017)

TUNKU ZAIN AL-ABIDIN IBNI TUANKU MUHRIZ

Independent
Non-Executive Director

Age: 34
Nationality: Malaysian
Gender: Male

Date of Appointment:
28 November 2014

Length of Service:
2 years 4 months

Date of Last Re-election:
9 June 2015

Membership of Board Committee:
1. Member of Nomination and Remuneration Committee
2. Member of Risk Management Committee

Qualification:
1. Bachelor of Science Degree in Sociology and Government from the London School of Economics and Political Science in 2003
2. Master of Science in Comparative Politics from the London School of Economics and Political Science in 2004

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

Tunku Zain Al-Abidin 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 the Institute for Democracy and Economic Affairs (IDEAS) in 2010. Since 2008 he has maintained a newspaper column: firstly Abiding Times in theSun, then Roaming Beyond the Fence in the Star and Sin Chew, and now Conservatively Speaking Freely in the Malay Mail, Borneo Post and Oriental Daily. From these articles three books have been compiled, the latest being nominated for the Popular Readers' Choice Awards. Tunku Zain Al-Abidin 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 Al-Abidin has been recognised with the Rotary Young Integrity Award in 2013 and a Top 10 Most Impactful Young Leaders Award in 2015.

Directorships of Public Companies:
1. Allianz Malaysia Berhad;
2. Allianz General Insurance Company (Malaysia) Berhad;
3. Allianz Life Insurance Malaysia Berhad;
4. Kian Joo Can Factory Berhad; and
5. Institute for Democracy and Economic Affairs Berhad.

Tunku Zain Al-Abidin is a trustee of Yayasan Chow Kit, Yayasan Munarah and the Jeffrey Cheah Foundation. He is also a patron of several cultural organisations and a committee member of several associations including the Squash Racquets Association of Malaysia.

Board Meeting Attendance:
6 out of 6 Board Meetings held in 2016

Other Information:
Tunku Zain Al-Abidin does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2016.

BOARD OF DIRECTORS' PROFILE

(As at 29 March 2017)

ZAKRI BIN MOHD KHIR

Chief Executive Officer and Non-Independent Executive Director

Working Experience:
Zakri Bin Mohd Khir has over 29 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 Allianz General Insurance Company (Malaysia) Berhad ("AGIC") before he assumed his current position as the Chief Executive Officer ("CEO") of AGIC in December 2010. Zakri Bin Mohd Khir is also the CEO of the Company on 3 September 2014. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance Berhad.

Directorships of Public Companies:
1. Allianz Malaysia Berhad;
2. AGIC; and
3. Allianz Life Insurance Malaysia Berhad.

Board Meeting Attendance:
6 out of 6 Board Meetings held in 2016

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

1. He is the nephew of Tan Sri Razali Bin Ismail, the Chairman of the Company.
2. He is a nominee Director of Allianz SE on the Boards of the Company and its subsidiaries.

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.

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 2016.

Age: 53
Nationality: Malaysian
Gender: Male

Date of Appointment:
26 April 2010

Date of Last Re-election:
25 May 2016

Membership of Board Committee:
Nil

Qualification:
1. Certificate of Insurance from the Institut Teknologi Mara in 1986
2. Fellow of the Malaysian Insurance Institute in 2016

(As at 29 March 2017)

ONG ENG CHOW

Chief Financial Officer and
Non-Independent
Executive Director

Age: 51
Nationality: Malaysian
Gender: Male

Date of Appointment:
26 June 2009

Date of Last Re-election:
25 June 2014

Membership of Board Committee:
Nil

Qualification:
1. Bachelor of Commerce Degree from the University of Canterbury, New Zealand in 1988
2. Chartered Accountant of the Malaysian Institute of Accountants in 1991
3. Chartered Accountant of the Chartered Accountants Australia and New Zealand in 1991

Working Experience:
Ong Eng Chow has more than 27 years of experience in the financial service industry, of which 20 years were in the insurance industry. He joined Allianz Life Insurance Malaysia Berhad ("ALIM") on 1 June 1999 as Financial Controller and was redesignated as Chief Financial Officer ("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.

Directorships of Public Companies:
1. Allianz Malaysia Berhad.

Board Meeting Attendance:
6 out of 6 Board Meetings held in 2016

Other Information:
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. He does not have any family relationship with any 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.

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 2016.

SENIOR MANAGEMENT TEAM

ZAKRI BIN MOHD KHIR

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

Age: 53 **Gender:** Male

Nationality: Malaysian

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

Working Experience, Directorships in Public Companies and Other Information:

Kindly refer to Zakri Bin Mohd Khir's profile as set out in the Board of Directors' Profile of this Annual Report.

JOSEPH KUMAR GROSS

Designation: Chief Executive Officer ("CEO") of Allianz Life Insurance Malaysia Berhad ("ALIM")

Age: 52 **Gender:** Male

Nationality: German

Qualification: Master in Business Administration, Johann-Wolfgang-Goethe University, Frankfurt, Germany

Working Experience: He 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.

Directorships in Public Companies: Nil

Other Information: Save as disclosed, Joseph Kumar Gross 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 2016.

SENIOR MANAGEMENT TEAM

ONG ENG CHOW

Designation: Chief Financial Officer of AMB and ALIM

Age: 51 **Gender:** Male

Nationality: Malaysian

Qualification:
1. Bachelor of Commerce Degree 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, Directorships in Public Companies and Other Information:

Kindly refer to Ong Eng Chow's profile as set out in the Board of Directors' Profile of this Annual Report.

HORST HERMANN HABBIG

Designation: Chief Sales Officer of AGIC

Age: 53 **Gender:** Male

Nationality: German

Qualification: Advanced Industrial Training Programme (AFP), Germany

Working Experience: He 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

ONG PIN HEAN

Designation: Chief Sales Officer of ALIM

Age: 53 **Gender:** Male

Nationality: Malaysian

Qualification: Bachelor of Business Administration, University of Houston, Texas, USA

Working Experience: He joined ALIM as Head of Life Sales on 2 July 2001, seconded to Allianz China Life in 2004 to set up the first branch for Allianz Life China in GuangZhou. In 2005, he became the Chief Sales & Marketing Officer for Allianz Life China in Shanghai. He returned to Malaysia in 2007 and assumed his current position on 1 February 2010.

Directorships in Public Companies: Nil

Other Information: 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 2016.

SENIOR MANAGEMENT TEAM

WANG WEE KEONG

Designation: Chief Operations Officer of AMB and AGIC

Age: 45 **Gender:** Male

Nationality: Malaysian

Qualification: Bachelor of Commerce and Management

Working Experience: He 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

LIM LI MENG

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

Age: 52 **Gender:** Female

Nationality: Malaysian

Qualification: Bachelor of Science (Honours)

Working Experience: She 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

YEOH ENG HUN

Designation: Chief Strategy & Product Officer of ALIM

Age: 39 **Gender:** Male

Nationality: Malaysian

Qualification:
1. Fellow of the Institute of Actuaries of Australia
2. Chartered Financial Analyst

Working Experience: He joined the Allianz Regional Office in Singapore in 2008, and was the Regional Chief Actuary before joining ALIM in 2012. His previous roles at ALIM included Appointed Actuary, Chief Actuary, Chief Risk Officer and Chief Operations Officer. He assumed his current position on 15 October 2016.

Directorships in Public Companies: Nil

Other Information: 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 2016.

SENIOR MANAGEMENT TEAM

STEFAN RITZ

Designation: Chief Operations Officer of ALIM and Chief Digital Officer of AMB

Age: 45 **Gender:** Male

Nationality: German

Qualification: Diploma in Business Computing

Working Experience: He 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

CHIANG BIN FONG

Designation: Chief Information Technology Officer of the Group

Age: 51 **Gender:** Male

Nationality: Malaysian

Qualification: Bachelor of Mathematics (Computer Science)

Working Experience: He joined the Company in 2005 as Head of Information Technology. He assumed his current position on 1 August 2008.

Directorships in Public Companies: Nil

Other Information: 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 2016.

ESTHER ONG CHEN WOON

Designation: Chief Investment Officer of the Group

Age: 45 **Gender:** Female

Nationality: Malaysian

Qualification:
1. Master of Science in Investment Management
2. Bachelor in Insurance and Investment
3. Chartered Financial Analyst

Working Experience: She joined as Chief Investment Officer of the Group on 15 August 2007. She is in charge of managing the investment funds and also involved in the asset liability management and the investment product development of the insurance subsidiaries.

Directorships in Public Companies: Nil

Other Information: 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 2016.

SENIOR MANAGEMENT TEAM

NG SIEW GEK

Designation: Company Secretary and Head of Allianz4Good of the Group

Age: 51 **Gender:** Female

Nationality: Malaysian

Qualification: Chartered Secretary (Institute of Chartered Secretaries and Administrators, UK)

Working Experience: She is the Company Secretary of the Group since 1997. She is also the Secretary to the Board Committees of AMB and Senior Management Committees of ALIM and AGIC.

In 2011, she assumed additional responsibility as the Head of Allianz4Good Department, the corporate responsibility arm of the Group.

Directorships in Public Companies: Nil

Other Information: 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 2016.

MANOGARI A/P MURUGIAH

Designation: Head of Legal & Compliance of the Group

Age: 56 **Gender:** Female

Nationality: Malaysian

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

Working Experience: She 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

WONG WOON MAN

Designation: Head of Human Resources of the Group

Age: 48 **Gender:** Female

Nationality: Malaysian

Qualification: Bachelor of Science in Agribusiness

Working Experience: She 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

SENIOR MANAGEMENT TEAM

LEE CHI KWAN

Designation: Head of Finance of AGIC

Age: 50 **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: She joined the Company in 2005, and is attached to the Finance Division in Head Office with her current position being the Head of Finance of AGIC, which she assumed on 1 November 2010.

Directorships in Public Companies: Nil

Other Information: 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 2016.

MOK KIAN TONG

Designation: Chief Risk Officer of AMB and AGIC

Age: 56 **Gender:** Male

Nationality: Malaysian

Qualification: Bachelor of Business in Business Administration

Working Experience: He 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.

Directorships in Public Companies: Nil

Other Information: 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 2016.

NG SIEW LENG @ JANNY NG

Designation: Head of Internal Audit of the Group

Age: 47 **Gender:** Female

Nationality: Malaysian

Qualification: Chartered Institute of Management Accountant

Working Experience: She joined the Company on 16 June 1995 as Internal Auditor Executive. She assumed her current position on 1 January 2014.

Directorships in Public Companies: Nil

Other Information: 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 2016.

SENIOR MANAGEMENT TEAM

JOANNICA DASS

Designation: Head of Corporate Communications Department of the Group

Age: 40 **Gender:** Female

Nationality: Malaysian

Qualification: Bachelor of Communications Studies, Majoring in Television

Working Experience: She joined the Company in August 2004 as a Senior Executive in the Corporate Communications Unit. She was appointed as the Head of Corporate Communications Department on 1 May 2007. When the communication function was synergised between ALIM and AGIC, she was appointed as the Head of Corporate Communications Department of the Group on 1 June 2008. She is also the Investor Relations contact for AMB.

Directorships in Public Companies: Nil

Other Information: 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 2016.

ONG CHAR KWEE

Designation: Chief Market Management Officer of the Group

Age: 52 **Gender:** Female

Nationality: Malaysian

Qualification:
1. Master of Business Administration
2. Fellow, Life Management Institute

Working Experience: She joined the Group as the Deputy Chief Market Management Officer. She assumed her current position on 1 September 2015.

Directorships in Public Companies: Nil

Other Information: 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 2016.

Trust and Integrity

Road Safety Advocacy Campaigns

These campaigns aim to instil road safety awareness among members of the public and contribute to reducing on-road risks

In 2016, we distributed:

- **482 car seatbelt shoulder pads** with the messages "Drive Safely" and "Buckle Up"
- **3,120** specially designed **reflective stickers**
- **321** child safety **booster seats**
- **115 child motorcycle helmets** for young passengers
- **320 reflective windbreakers** for motorcyclist visibility
- **777** SIRIM-approved **adult motorcycle helmets**

CHAIRMAN'S STATEMENT

Y.BHG. TAN SRI RAZALI BIN ISMAIL
Chairman

Dear Shareholders,

2016, by all accounts, was an eventful year given the challenges faced in the global and local markets respectively. Though Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") were not spared from the effects of these events, we managed to withstand the volatility on the back of strategic initiatives that were put in place.

The Group, as part of the Allianz SE Group, firmly subscribes to the Allianz SE Group's values that emphasise strong stakeholder trust, reputable brand, inclusive culture as well as superior financial strength and resilience. At the end of 2015, Allianz SE Group embarked on the Renewal Agenda, a strategic roadmap to evolve each operating entity worldwide into dynamic organisations that are able to compete on all fronts. We have embraced the Renewal Agenda and 2016 has been a year focussed on implementing the five strategic pillars that aim to enhance agility, productivity and innovation. These pillars – True Customer Centricity, Technical Excellence, Growth Engines, Digital by Default and Inclusive Meritocracy – will spearhead the next phase of growth for the Group.

MALAYSIAN ECONOMY

Despite falling revenue from a weaker commodities market, primarily caused by lower oil prices, and concerns over political uncertainty, Malaysia's economy remained resilient in 2016, recording Gross Domestic Product ("GDP") growth of 4.2 percent. The Ringgit continued to depreciate against the US Dollar, with the currency coming close to a 19-year low in late November. However, earnings generated from the goods and services tax imposed in 2015 helped to offset the effects caused by the weaker Ringgit. The insurance industry was similarly affected by the economic sentiment. As a result, the pace of growth registered by the insurance industry was slower than earlier projected. I am pleased to report that despite this challenging environment, the Group turned in a healthy set of results for 2016.

CHAIRMAN'S STATEMENT

We expect 2017 to be a year of both opportunities and challenges. We are cautiously optimistic that the insurance industry will continue to see growth in 2017, likely to be in line with 2017 GDP growth projected at 4.3 percent by the World Bank. The modest projection is expected to be supported by domestic demand, underpinned by government stimulus and minimum wage hike. Overall, the Malaysian economy has proven to be robust against both internal and external challenges.

VALUE CREATION

For the financial year under review, the Group has succeeded in delivering consistent growth, recording operating revenue of RM4.68 billion, an increase of 3.5 percent or RM159.4 million from RM4.52 billion in 2015. Despite the economic headwinds during the year, business momentum within the Group remained positive.

Group **Operating Revenue**

RM**4.68** Billion

+3.5%

Group **Profit Before Tax**

RM**454.6** Million

+3.7%

In tandem with the solid top-line performance, the Group's profit before tax increased by 3.7 percent to RM454.6 million from RM438.2 million in 2015. Basic earnings per share stood at 182.27 sen as compared to 183.08 sen in the previous year.

Throughout the year, the insurance subsidiaries of the Group have maintained a capital adequary ratio that was in excess of minimum requirements mandated for the industry.

The Group strives to balance between an attractive yield for our shareholders and ensuring investments for business building needs. During the year, the Board declared an interim ordinary share dividend of 9.00 sen per ordinary share under single tier system (2015 first and final dividend: 6.50 sen) and an interim preference share dividend of 10.80 sen per Irredeemable Convertible Preference Share under single tier system (2015 first and final dividend: 7.80 sen).

SUSTAINABILITY

At Allianz Malaysia, we firmly believe that sustainable development is integral to our success and long-term viability as an organisation. In 2016, we engaged an external advisory team to strengthen and enhance our approach to sustainability. The Group's progress in integrating sustainability into our roles as an insurer, employer and corporate citizen are set out in the Sustainability Report, which forms part of this Annual Report.

AWARDS AND RECOGNITION

The Company was once again recognised at the Malaysia-ASEAN Corporate Governance Awards in 2016. The Company received the Merit Award for Corporate Governance Disclosures at the Minority Shareholder Watchdog Group Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016. The award is given to the top ten Public Listed Companies which incorporate the best corporate governance practices, identified from the 868 companies that were assessed using the ASEAN Corporate Governance Scorecard methodology.

ACKNOWLEDGEMENTS

During the year, Mr Joseph Gross joined the Group as the Chief Executive Officer of Allianz Life Insurance Malaysia Berhad. Joseph brings with him a wealth of experience in distribution and marketing which puts him in good stead to lead our life company. I would like to extend my warmest welcome to Mr Joseph Gross.

I would also like to extend my warmest welcome to Mr Goh Ching Yin who was appointed as an independent Non-Executive Director of our insurance subsidiaries on 3 January 2017.

On behalf of the Board of Directors, I wish to express my deepest gratitude to our valued shareholders, customers, agents, brokers, distribution partners at banks and other business partners for their support and confidence in the Group.

I would also like to convey my appreciation to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their invaluable guidance and support throughout the year.

My sincere thanks also go to the Senior Management team and the Group's employees for their dedication and pursuit of excellence. The Group would not have been able to achieve its success without their committed efforts.

Whilst the Group continues to operate in a difficult macroeconomic environment, the Board is confident that with the Group's focus on optimising the performance of its insurance businesses, it will continue its growth momentum and deliver sustainable returns to all stakeholders in 2017.

I look forward to the continued support from all our stakeholders as we focus on building the strength of the Group together.

Thank you.

Tan Sri Razali Bin Ismail
Chairman
29 March 2017

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

ZAKRI MOHD KHIR
Chief Executive Officer

Dear Shareholders,

I would like to start by thanking our Allianz customers who have placed their trust and confidence in us to protect what is important to them. It is this responsibility that continues to guide us in how we operate our business. It is the cornerstone that helps us weather economic headwinds.

I am pleased to report that we ended 2016 on a positive note. The respective general and life insurance business operations recorded encouraging results amidst a year which saw economic volatility and softened consumer sentiment. Our ability to remain resilient during trying times is due to our active focus on understanding our customers better, improving operational efficiency, seeking growth opportunity and a culture of performance.

The introduction of the Renewal Agenda by Allianz SE Group in 2015 has provided the framework for us to strengthen our business operations. In 2016, we built on the strategic pillars of True Customer Centricity, Technical Excellence, Growth Engines, Digital by Default and Inclusive Meritocracy to deliver our promise of helping people move on and up in life.

Throughout the year, we made tough decisions to support the business. We also noted the rapidly evolving trends in the digital landscape and took steps to use technology as a platform to enable growth. We capitalised on opportunities, when presented, to enter new market segments. This meant that both the insurance subsidiaries continued to invest in customer-facing digital initiatives and upgrading of operational infrastructure.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

Investment performance, a key area of our business, was pro-actively reviewed in light of the capital market uncertainty, specifically taking measures to reduce the investment market sensitivity of our earnings. We remain stock selective on our investment strategy and adopted an opportunistic stance to take advantage of potential mispriced investment opportunities.

Group **Gross Written Premium**

RM**4.18** Billion

+1.2%

FINANCIAL RESULTS & FINANCIAL CONDITION

Consolidated Group Results

Key figures: Allianz Malaysia Berhad ("Group")

	2016	2015	Delta
Operating Revenue (RM'million)	4,678.49	4,519.07	159.42
Profit Before Tax (RM'million)	454.59	438.22	16.37
Return on Equity %	11.3%	12.6%	(1.3 pts)
Basic Earnings per Ordinary Share (sen)	182.27	183.08	(0.81)
Diluted Earnings per Ordinary Share (sen)	90.80	89.37	1.43

The Group continued to deliver a steady operating performance in 2016. Operating revenue increased by 3.5 percent to RM4.68 billion from RM4.52 billion in 2015, mainly driven by higher gross earned premiums and investment income of RM94.7 million and RM64.7 million respectively.

Both our life and general insurance businesses performed well in a difficult year. Consolidated gross written premium ("GWP") increased by 1.2 percent to RM4.18 billion from RM4.13 billion in the previous year.

Profit before tax increased by 3.7 percent to RM454.6 million from RM438.2 million in 2015. Our financial results in 2016 have again demonstrated the Group's ability to deliver a strong performance with return on equity at 11.3 percent.

Through these commendable achievements, we remain focused on creating value for our shareholders. As at 31 December 2016, our Group's earnings per share stood at 182.27 sen.

Our resilient growth and delivery of strong earnings performance despite the challenging operating environment were results of measures that were put in place across all areas of the business.

Balance Sheet Review

The balance sheet and solvency position for both insurance subsidiaries continued to strengthen. Total assets grew by 9.5 percent to RM14.91 billion as compared to RM13.62 billion in 2015, arising from the increase in our financial investments in debt instruments, equities and cash.

The section below mainly focuses on our financial investments in debt instruments, equities, loans and cash as these reflect the major development in total assets.

Asset Allocation Review

Type of investment	2016 (RM'million)	2015 (RM'million)	Delta (RM'million)	2016 %	2015 %	Delta pts
Debt instruments; thereof:						
Government and government-related bonds	5,683.07	5,625.95	57.12	46.5	52.0	(5.5)
Unquoted bonds of corporations	3,886.02	2,991.36	894.66	31.8	27.7	4.1
Quoted equities securities	1,569.81	1,199.20	370.61	12.9	11.1	1.8
Loans	297.55	369.32	(71.77)	2.4	3.4	(1.0)
Cash	448.37	221.33	227.04	3.7	2.0	1.7
Others	333.26	415.39	(82.13)	2.7	3.8	(1.1)
Total	**12,218.08**	**10,822.55**	**1,395.53**	**100.0**	**100.0**	**-**

Compared to financial year 2015, our investment portfolio grew by 12.9 percent to RM12.22 billion as of 31 December 2016. The investment mix remained relatively stable during the year. As at 31 December 2016, the investment portfolio mix comprised government and government-related bonds, unquoted bonds of corporations, quoted equities securities, loans, cash and others.

Group **Investment Portfolio**

RM**12.22** Billion

+12.9%

The allocation of our government and government-related bonds represented 46.5 percent of our investment portfolio, which is in line with our conservative and long-term investment strategy. Unquoted bonds of corporations were up by 29.9 percent to RM3.89 billion, representing the second largest allocated investment in our portfolio. The increase in absolute terms was mainly driven by new investments.

Our exposure to equities increased by 30.9 percent to RM1.57 billion. The increase was mainly attributable to new purchases as well as gains in market value.

The Group's cash and cash equivalents consist of cash and bank balances as well as fixed and call deposits with licensed financial institutions with maturities less than three months. Cash and cash equivalents remained stable at RM0.63 billion at 31 December 2016, a marginal increase of 0.6 percent as compared to 2015, reflected by higher realisation on the sale of financial investment.

Total liabilities increased by RM1.03 billion to RM12.03 billion as compared to RM11.00 billion in 2015, as a result from higher insurance contract liabilities. Insurance contract liabilities grew by 8.9 percent to RM10.77 billion at 31 December 2016, representing 89.5 percent of the total liabilities, reflecting the underlying growth of our in-force portfolio. Other liabilities remained stable at RM1.26 billion as at 31 December 2016 compared to RM1.11 billion as at 31 December 2015.

Shareholders' fund increased by 9.9 percent to RM2.88 billion from RM2.62 billion in 2015. This was largely led by net profits generated during the year. Accordingly, the Group's retained earnings rose by 13.0 percent to RM1.55 billion from RM1.37 billion in 2015.

Solvency

As at 31 December 2016, the Group's capital position remained strong. The insurance subsidiaries of the Group remained well capitalised by maintaining Capital Adequacy Ratio ("CAR") that is in excess of the minimum requirement imposed by Bank Negara Malaysia.

Dividend Policy

The Group has again demonstrated its ability to finance profitable new business growth opportunities at attractive rates of return for our shareholders and to deliver prudent, sustainable and progressive shareholder dividends. Dividend policy of the Group continues to aim for a healthy balance between an attractive yield and supporting investments to drive profitable growth. After taking into consideration the capital requirements to deliver sustained business performance, the Board declared an interim ordinary share dividend of 9.00 sen per ordinary share under single tier system (2015 first and final ordinary share dividend: 6.50 sen) and an interim preference share dividend of 10.80 sen per Irredeemable Convertible Preference Share ("ICPS") under single tier system (2015 first and final preference share dividend: 7.80 sen) which were paid on 21 February 2017 to the entitled shareholders and ICPS holders of the Company respectively. Dividend payout for financial year 2016 was RM 34.3 million, an increase of 38.1 percent from dividend payout for financial year 2015.

Dividend Payout

	2015 (sen)	2016 (sen)	
Ordinary Share	6.50	**9.00**	+38.5%
Irredeemable Convertible Preference Share	7.80	**10.80**	+38.5%

RENEWAL AGENDA

In November 2015, the newly appointed Chairman of the Board of Management as well as Chief Executive Officer of Allianz SE, Oliver Bate, announced that the Allianz Group will embark on the Renewal Agenda, a three year organisation-wide transformation plan that leverages our strong heritage to achieve triple excellence: portfolio strength, market leadership, and customer-centric execution.

There are five renewal agenda levers that form the foundation on which we aspire to strengthen our respective businesses. The first lever is *True Customer Centricity*, explicitly stating our commitment to ensure that superior customer experience is the impetus for all our actions. The second lever, *Digital by Default*, speaks of our ambition to become a truly 'digital' organisation where there is an end-to-end digital experience in all areas instead of just on selected performance-enhancing capabilities. We recognise the importance of *Technical Excellence*, focusing on creating superior margins, and continuous innovation, and seeking *Growth Engines* by expanding our distribution reach beyond the traditional distribution channels. The last pillar, but certainly not the least, is *Inclusive Meritocracy*, where we reinforce a culture where both great people and superior performance matter.

Growth Engines: General Insurance

Key Figures: General Insurance

	2016	2015	Delta
Gross Written Premium (RM'million)	2,082.92	2,180.49	(97.57)
Profit Before Tax (RM'million)	320.52	322.33	(1.81)
Claim ratio %	61.9	60.6	(1.3 pts)
Expense ratio %	17.4	16.9	(0.5 pts)
Combined ratio %	90.4	89.0	(1.4 pts)

Our Group's general insurance operation, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General"), continues to be the market leader in the conventional general insurance market, with a market share of 11.80 percent as at 31 December 2016 despite GWP declining by RM97.6 million or 4.5 percent to RM2.08 billion in 2016. The decrease was due to lower GWP from motor insurance as a result of lower new car sales, general slowdown in economy as well as the company's decision to exit from certain loss making segments.

Agency continues to be a key channel for the general insurance business, contributing 58.5 percent or RM1.22 billion of GWP which was at the same level as the preceding year. The other distribution channels, namely Broker, Franchise, Bancassurance and Telemarketing, collectively registered a drop in GWP of 9.8 percent to RM864.4 million from RM958.7 million in 2015.

We recognised that the impending tariff liberalisation of motor insurance as well as digital behaviour by consumers will change the way they buy insurance. As such, we undertook active engagement with our distribution partners to provide training and regulatory updates to prepare for when the liberalisation of the Motor and Fire tariffs takes effect. In addition, Allianz Group has also secured a 15-year regional bancassurance partnership agreement with Standard Chartered Bank in Hong Kong, Singapore, Malaysia, Indonesia and China, which is targeted for implementation in 2017. This demonstrates Allianz Group's continued commitment into expanding its distribution reach via strategic partnerships.

Allianz General retains its place as one of the top motor insurers in the market, with the portfolio making up 60.0 percent or RM1.25 billion in GWP, the balance of RM833.4 million is attributed to the Non-Motor business – comprising Property, Health, Personal Accident, Liability, Marine and others.

The general insurance business operations of the Group continues to report a positive underwriting profit of RM166.9 million although it saw a 11.4 percent decline from RM188.4 million the year before. Nevertheless, Allianz General achieved a healthy combined ratio of 90.4 percent in 2016, despite an increase of 1.4 percentage points from 89.0 percent in 2015. This can be attributed to an increase in the claims ratio of 1.3 percentage points to 61.9 percent from 60.6 percent the year before as well as an increase in the expense ratio by 0.5 percentage points to 17.4 percent from 16.9 percent the previous year. The increase in claims ratio is due to a general increase in claims cost due to inflation while the increase in expense ratio is due to investment into digital assets. Profit before tax correspondingly declined by 0.6 percent to RM320.5 million from RM322.3 million in 2015.

To defend our market leadership position, Allianz General will continue to focus on profitable businesses and to ensure the quality of the overall business and services in its portfolio. We will use insights from our customers to introduce innovative products and riders thereby increasing the value proposition for our customers and to focus on data analytics for risk segmentation and improving pricing capabilities.

Growth Engines: Life Insurance

Key figures: Life Insurance

	2016	2015	Delta
Annualised New Premiums (RM'million)	392.46	370.67	21.79
Gross Written Premium (RM'million)	2,099.68	1,952.16	147.52
Profit Before Tax (RM'million)	138.37	116.62	21.75
New Business Value (RM'million)	156.95	108.10	48.85

The Group's life insurance operations, Allianz Life Insurance Malaysia Berhad ("Allianz Life") offers its customers a full range of insurance and financial services through a multi-distribution platform comprising agency, bancassurance and corporate partners, with a strong focus on our tied-agent network.

Annualised New Premiums ("ANP") increased by 5.9 percent to RM392.5 million from RM370.7 million in 2015, mainly driven by Agency and Bancassurance channels. Allianz Life is currently one of the top five players in the industry with a market share of 6.6 percent as at December 2016.

Our Allianz Life agent network played a key role to our ANP growth. Agency contributed the largest share of ANP with 84.0 percent, amounting to RM329.7 million. This was a 3.9 percent increase from RM317.4 million in the year before. Investment-linked sales contributed 76.7 percent of our total agency new business production, a similar level to 2015 performance. Agent manpower decreased to 6,809 agents in 2016 as we stepped up efforts to increase agent's productivity and to professionalise our agency force.

The exclusive bancassurance partnership between Allianz Life and HSBC Bank Malaysia Berhad entered its fourth year. Sales from HSBC Bank recorded a 19.4 percent growth in ANP, accounting for 10.3 percent of the total ANP in 2016. Allianz Life organised regular customer engagement seminars and a variety of customer events that helped to strengthen the sales momentum.

Our Corporate Clients and Solutions ("CCS"), previously known as Employee Benefits, reported a 7.6 percent improvement in ANP as compared to the previous year. During the year, CCS was incorporated under Partnership Distribution to better reflect the nature of this channel and to also leverage joint resources to enhance operational efficiency and sales intermediary support.

Allianz Life **Gross Written Premium**

RM**2.10**
Billion

Allianz Life continued its growth momentum, surpassing the RM2.0 billion threshold for the first time with a total GWP of RM2.10 billion in 2016. The result, which surpassed our 2016 target, was a 7.6 percent increase from RM1.95 billion in the preceding year. The increase in gross earned premiums of the life insurance operation was attributable to higher premiums from all the key distribution channels as well as our concerted focus on investment-linked products with protection riders which yield higher margins.

Profit before tax for the life insurance business increased by 18.7 percent as Allianz Life continued to make good progress towards sales of regular premium investment-linked protection products. Investment-linked business contributes to more than half of the company's profit before tax.

New Business Value ("NBV") is our main measure of profitable growth and we achieved a 45.2 percent increase in 2016. Key initiatives implemented to achieve improved NBV included managing the portfolio mix of our business namely the types of products we sold, repricing of certain product lines to current risk experiences and ensuring capital efficiency, among others.

True Customer Centricity

The core of our business is protecting what our customers care about. In this respect, how we interact with our customers reflects the depth of our commitment, hence, our ambition of delivering superior value with an excellent and caring customer experience.

Throughout the year, we worked on actively reviewing customer touch points from the way we on-board a new customer to how claims can be filed and paid and also, the types of communication materials our customers receive from us. We applied the Customer Experience ("CX") methodology introduced by Group Market Management of Allianz SE to identify pain-points in our customer journeys. Two major journeys namely Motor Own Damage Claims for our general business and Health Claims reimbursement for our life business and six smaller journeys across different parts of the organisation were mapped.

2 major **CX journeys**

Motor Own Damage Claims

Health Claims reimbursement

The year also saw us expanding our Fast Solutions for easy and convenient product and service interactions. Customers were able to get quotations for four general insurance products, namely, HomeOwner/HomeContents, Enhanced RoadWarrior, Allianz Shield and ATM Shield through Allianz Online on our website. These products were later available for online purchase in February 2017 and were joined by the addition of a term life product and a hospital cash product. We also rolled-out the Interactive Voice Response ("IVR") System enhancement as part of a new customer service charter.

A direct benefit of implementing CX and Fast Solutions is the increased awareness amongst our employees to be critical of internal processes with respect to raising our customers' experience when engaging with us. A programme was introduced to upskill our customer service team which included the Allianz Touch training programme, a knowledge

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

library which serves as a centralised hub of information for the service team and the Service Governance Framework, an all-encompassing guideline on complaints management, customer communication, service behaviour and service recovery. At Allianz, we measure how well we engage our customers through the Top Down Net Promoter Score survey. I am pleased to report that Allianz General achieved an "Above Market" score while Allianz Life improved its ranking amongst our peers though it recorded a "Below Market" score.

Digital by Default

We recognise that digital has become an integral part of our business and in the lives of our customers. Digital touch points can enhance our customer's experience to provide simple, convenient and personalised service in today's connected age.

We accelerated our efforts to adopt digital technology across our overall set-up and processes to improve productivity. Investments were allocated into building digital assets to enable quick reaction required in the liberalised motor and fire tariff environment as well as the implementation of the Life Framework. We launched a straight-through process for motor own damage claims which for straight forward cases could receive an almost immediate approval. A similar initiative was also introduced to auto-process our health claims within specified parameters. Better functionalities in the Imagine sales app have seen e-submission for the life insurance new business account for almost 75 percent of all submissions. Life agents are now able to submit selected policy servicing requests on line without having to visit a branch for a paper submission.

Customers can now visit Allianz Online on our website to get a quote and purchase four general products and two life products. We expect to add more products to Allianz Online as we learn from insights into customers' online insurance purchasing behavior. With the prevalence of smartphones, we launched our Allianz A2Z customer mobile app that allows our customers to request for hospital Guarantee Letter, roadside assistance and submission of medical claims, among others. We have also increased the use of digital communication via SMS, emails and self-service functionalities to remain connected with our customers. They not only provide convenience and speed but also support our initiative to go green and paperless.

We took a first step towards digital customer service engagement where we implemented the use of Messenger to handle customer enquiries from our Facebook page. We will be looking to implement LiveChat as the next phase of customer service support.

Technical Excellence

In preparation for the upcoming liberalisation of Motor and Fire tariff, Allianz General embarked on the path towards technical and operational excellence to maintain its market leading position as well as profitability. Preparations for the tariff liberalisation began a number of years ago with key initiatives that included building a technical pricing model for the transition into risk based pricing, active portfolio and claims management to improve overall underwriting profitability and disciplined expense management for added competitive advantage.

For the life business, we launched a new plan called Allianz PrimeSaver, a new savings plan that was designed to help instill a habit of savings among young people while still rewarding them with yearly cash payments for them to spend on little pleasures in life. Allianz PrimeSaver was developed to ensure sustainable growth of our universal life portfolio. A new rider, Premier HealthCover, a critical illness coverage, was also introduced on Allianz PremierLink, in order to help increase the number of riders for Allianz' Investment-Linked portfolio which will lead to improved new business value for the life business.

In an effort to manage Allianz Life's participating portfolio due to the volatile and low returns that the Malaysian market has been experiencing in recent years, a participating bonus revision exercise was conducted to ensure equitable treatment to different generations of participating policy holders.

Inclusive Meritocracy

Inclusive Meritocracy is about creating a culture where people and performance matter at every step of the employee journey. In 2016, we reinforced our four people attributes of Customer & Market Excellence, Entrepreneurship, Trust and Collaborative Leadership at all levels of employees. We have started embedding these attributes with their specific key behaviours throughout the employee journey from hiring to on-boarding, performance management, development and career management, rewards and retention.

During the year, we enhanced our performance management framework to provide equal emphasis on targets to be achieved as well as the desired behaviours. Our development programmes continued to focus on building technical excellence as well as leadership in driving performance, coaching and engaging employees. Our talent pool of high potentials are continuously engaged on their individual development plans which may include fast-track career development actions. While we focus on driving business results through people, we provide support and flexible work arrangement to help employees manage between work and their personal lives.

Overall, we have an engaged staff force. We are pleased to report a high and positive Employee Engagement Index of 84 percent based on the Allianz Engagement Survey 2016. 93 percent of employees are proud to work for Allianz. Open and honest two-way communication and feedback are key values for the Group. And, we remain committed to upholding our principle of creating an inclusive culture which values diversity.

RISK & OPPORTUNITIES – RISK MANAGEMENT FRAMEWORK

The Group has put in place a robust risk management framework for an effective risk management and internal control systems to manage the successful execution of its objectives and strategies. The details of the framework, governance process and the key risks have been detailed in the Statement on Corporate Governance in this Annual Report.

Besides the key risks mentioned in the Corporate Governance statement, the following are some of the specific developments that the Group is closely monitoring:

a) Changes in the operating environment driven by regulatory requirements

- The new Life Framework has three main initiatives, i.e. the removal of limits on operating costs, diversification of distribution channels and the strengthening of market practices that may transform the insurance market. Allianz Life is constantly reviewing its business plans and strategies to stay ahead of industry changes and emerging market trends.
- The liberalisation of the Motor and Fire tariffs in the general insurance will now allow insurers to price new and select Motor and Fire products based on the customer risk profiles with effect from 1 July 2017. While this presents an opportunity for the company to price based on the risk profile of the customer, there is an uncertainty in how the market will react to these challenges. Allianz General has undertaken steps to prepare for the liberalisation and is ready to face the challenges that may arise in the market. This includes the pricing capabilities that is ready to be deployed and can be changed on a daily basis when required.

b) Emergence of new technologies - Fintech and Insuretech

- These new technologies may change the landscape of the industry with potential new entrants or intermediaries and delivery platforms.
- The Group is closely monitoring these developments and will capitalise on any opportunities that may arise and prepare for any potential disruptors in the digital space.

c) Potential penalty for infringing the Competition Act 2010 ("CA")

- Allianz General had received from Malaysia Competition Commission ("MyCC") a notice of its proposed decision ("Proposed Decision") on 22 February 2017 that Allianz General and all the other 21 general insurers who are members of Persatuan Insurans Am Malaysia ("PIAM") have infringed one of the prohibitions under Part II of the CA.
- The alleged infringement is in relation to the agreement reached between PIAM and the Federation of Automobile Workshop Owners' Association of Malaysia in relation to trade discount rates for parts for certain vehicle makes and labour hourly rate which was pursuant to a Bank Negara Malaysia directive.
- The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. Allianz General, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.
- The Proposed Decision is not final as at the date of this report and Allianz General in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

SUSTAINABILITY

At Allianz Malaysia, we firmly believe that sustainability is an important consideration to ensure our success and long-term viability as an organisation. We take a holistic view of the financial, social, political and economic landscape when assessing risks and opportunities available to us, and translate these into strategies that are integrated into our day-to-day business operations with the aim of promoting long-term value creation for our diverse range of stakeholders.

In our role as an insurer, we create value for our customers by ensuring that we constantly innovate to meet the changing risk and consumer landscape, and that we stay abreast with the latest technologies to be able to provide insurance solutions to address their unique needs. As an employer of choice, we constantly encourage and inspire our employees by promoting a fair, inclusive, equal and diverse organisational culture that is committed to constant improvement through learning and development. Our efforts to provide a healthy and attractive workplace for our employees has translated into the Group being recognised as one of Malaysia's Top 100 Leading Graduate Employers in 2016. Through our corporate responsibility activities, we aim to create value in society beyond our business footprint; by reducing societal risks and equalising opportunities for the social inclusion of underserved communities.

In 2016, we engaged an external sustainability advisory team to strengthen and enhance our approach to sustainability. Their recommendations enable us to improve our identification of material matters and collection of stakeholder feedback, which in turn informs how we formulate action plans and subsequently report on them. You can read about how we manage our sustainable development and our progress for the year 2016 in the Group's Sustainability Report, which forms part of this Annual Report.

MOVING FORWARD

As can be seen by our 2016 performance, the Group is on a strong footing in all areas of the business. Strategies aligned with the vision of the Renewal Agenda are being implemented and some early results have already been demonstrated. These will continue to drive how we will grow our business in 2017 and guide us as we manoeuvre the intricacies of delivering profitable growth in a financial environment that is uncertain.

There will be opportunities stemming from higher global growth, commodity prices recovery and positive earnings growth after years of lacklustre performance in these areas. However, higher US interest rates and stronger USD leading to portfolio outflows from the emerging markets are some of the challenges that will need to be overcomed.

On the local front, GDP for the year is likely to be held stable at 4.0-4.5 percent, due to slower but resilient growth in consumer demand, continual roll-out of more high impact infrastructure products (currently being in the second year implementation of the 11th Malaysian plan), and the recovery of exports growth due to the expectation of global cyclical recovery and commodity exports growths stemming from higher palm oil production and oil prices.

Both our general and life insurance businesses operate on a multi-line, multi-channel model. We will strengthen our market leadership in the general insurance business, whilst our life insurance business will focus on generating growth by embedding a culture of customer excellence and customer centricity across all customer and agent touch-points, enhancing customer claims process, and driving more rigorous service and complaints management.

On the general insurance business front, we have started working with non-traditional digital partners as a new area of opportunity and implementing the hybrid distribution model where customers can connect with us via both online and offline seamlessly. In order to drive efficiency and productivity, as well as prepare for market detariffication, we are implementing a technical pricing system and driving process digitalisation.

Our life insurance business will focus on professionalising our agency force, by increasing agent productivity and activity rate. In line with our efforts to ensure cost efficiency, we are simplifying our overall set-up and processes and leveraging digital to achieve this.

We will continue to ensure robust capital management in both our general and life insurance businesses to maintain adequate solvency levels to support business growth, dividend payment and return on equity. In all, while we remain vigilant monitoring the volatility in the external environment, we will exercise due care and prudent management to deliver productivity and operational gains.

APPRECIATION

We ended 2016 on a positive note though it was a challenging year. It would not have been possible without the continuous support from our shareholders, customers, agents, brokers, bancassurance partners, and other business partners.

I would also like to thank all the employees of Allianz Malaysia for their tireless pursuit in delivering superior customer experience and commitment to overcoming challenges that came our way.

As we continue to work together towards realising our goals for 2017, I am confident that we will be able to achieve them by being agile, innovative and focused on delivering what our customers truly need.

Thank you.

Zakri Mohd Khir
Chief Executive Officer
29 March 2017

Sustainability Report 2016

Embedding Sustainability into Allianz

Creating long-term value for our stakeholders

Allianz employee volunteers geared up for the PERTIWI Soup Kitchen activity

SUSTAINABILITY REPORT

CONTENTS

ABOUT THIS REPORT

This Sustainability Report (the "Report") covers Allianz Malaysia Berhad and its two wholly-owned subsidiaries, i.e. Allianz Life Insurance Malaysia Berhad ("Allianz Life") and Allianz General Insurance Company (Malaysia) Berhad ("Allianz General"), collectively referred to as "Allianz".

In this Report, Allianz SE, the holding company of Allianz Malaysia Berhad, is referred to as "Allianz Group". Our reporting period is from 1 January 2016 to 31 December 2016, unless otherwise stated. This Report has been prepared with reference to the Sustainability Reporting Guide and Toolkits, issued by Bursa Malaysia Securities Berhad ("Bursa Malaysia").

This Report was approved by the Board on 29 March 2017.

SUSTAINABILITY REPORT

Sustainability Strategy

CEO'S STATEMENT

"It is too easy, when concerns turn more towards numbers on paper, to forget about what is actually around us, and the long-term consequences of neglecting factors such as the environment and civil society."

2017 promises to be a challenging year. In times such as this, when consumers are feeling the pinch of a difficult economic environment, it is crucial that we ensure our sustainability efforts are not left behind. It is too easy, when concerns turn more towards numbers on paper, to forget about what is actually around us, and the long-term consequences of neglecting factors such as the environment and civil society.

Insurance, at its core, is a social business. The principle of indemnification is to return a person who has suffered a financial loss back into a similar position to that which they were in before it. That safeguard is our commitment to our customers – peace of mind that should misfortune occur – we are behind them. This assurance is one that we firmly believe in, but which we know is not equally available to all segments of society. This could be for reasons of physical access and location, because of seemingly indecipherable legal documents and unsuitable offerings, or for the simple reason that people just do not know or trust insurance.

At Allianz, we want to inspire that trust. We strive to make our products more approachable, both in terms of language and function. The detariffication of certain segments of the general insurance industry allows us to offer solutions tailored to our customers' needs and appetites; for example, modular insurance products that let customers pick and choose exactly what suits them. We are also expanding our insurance offerings to cover underserved segments – not just Persons with Disabilities and rural communities, but also customers who have never experienced insurance before. It is important that people take steps to protect themselves with the economic and financial tools available to them, of which insurance should form a key component.

Traditionally, insurance is based on the replacement of tangible losses. However, the world is moving rapidly from one founded on physical assets to a digital economy of intangible value. New business models constantly crop up, and we are determined to be the insurer that keeps abreast with and serves these developments. Consumers also expect more – demanding compensation not just for losses, but also for inconveniences. We recognise these trends and innovate accordingly, embarking on exercises to map customer needs and plot customer journeys so that we, along with our business partners and intermediaries, understand what serves our customers best, every step of their way with us.

Providing value to the customer is part and parcel of our responsibility as a trusted organisation. We believe that this role extends beyond serving our customers, to creating value in the economy and for society. As an employer of choice, we cultivate a work environment that is diverse, fair, equal, and inclusive, and where our employees feel empowered to learn, develop, and drive innovation within the organisation. Our corporate responsibility activities work to bring that inclusive culture to the greater community – with the aim of reducing societal risks and equalising opportunities of underserved communities.

Sustainability is a continuing journey, on which we embarked in 2011. Our growth reached a new milestone in 2016 when we engaged an external sustainability consultant to review and strengthen our approach to sustainability. Through this exercise, we have learned how to engage our stakeholders in a more systematic way; to prioritise topics that are material to us and thus prioritise our action plans; and to streamline and enhance the way we report on these matters. I invite you to find out more about our approach to sustainability in the following pages and welcome your feedback and engagement.

Zakri Khir

Sustainability Strategy

❝ Risks in the insurance landscape continue to shift and expand – with the rise of new environmental, technological, geo-political, economic and legal developments, as well as the growing interdependencies among them. The more risks are evaluated and understood, the better a business can respond. ❞

Emerging Risks in the Global Insurance Industry, KPMG International 2016, Thought Leadership Publications

SUSTAINABILITY APPROACH

For years, insurers have been at the forefront of the corporate world in alerting society to the risks of climate change and, more recently, threats such as cyber security breaches. Recent insurance industry forecasts by KPMG International in 2016 Thought Leadership Publications: "Emerging Risks in the Global Insurance Industry" revealed that increased accessibility to better medicine and healthcare services and advanced medical technologies are predicted to greatly increase longevity - lowering life insurance premiums and increasing annuity liabilities. Some risks may appear suddenly (such as the emergence of the Zika virus), while others may slowly evolve over time (for example, the impact of robotics on employment levels).

In September 2015, the adoption of 17 new Sustainable Development Goals ("SDGs") by 193 member States of the United Nations was a clarion call to all businesses to apply their creativity and innovation in solving sustainable development challenges. With a refreshed understanding of sustainability, insurers are actively finding ways to strengthen their business strategies to evolve and thrive through this transformation.

Viewing our business strategy i.e. Renewal Agenda through the sustainability lens, **Diagram 1** demonstrates our steps forward to act on the SDGs through our role in the society as a ***responsible business*** practitioner, ***employer of choice***, as well as a ***responsible corporate citizen***.

As a ***responsible business*** practitioner, we take into account environmental, economic, and social ("EES") factors in offering sustainable products and the manner in which our services are delivered. EES factors are also integrated into investment decisions.

We are an ***employer of choice*** that focuses on the learning and development of our employees as well as their well-being to continue to attract and retain diverse talent.

We uphold our commitment to being a ***responsible corporate citizen*** by conducting our business activities in an ethical manner without compromising our social responsibilities towards local communities.

The United Nations Sustainable Development Goals are a set of goals to end poverty, protect the planet, and ensure prosperity for all

SUSTAINABILITY REPORT

Sustainability Strategy

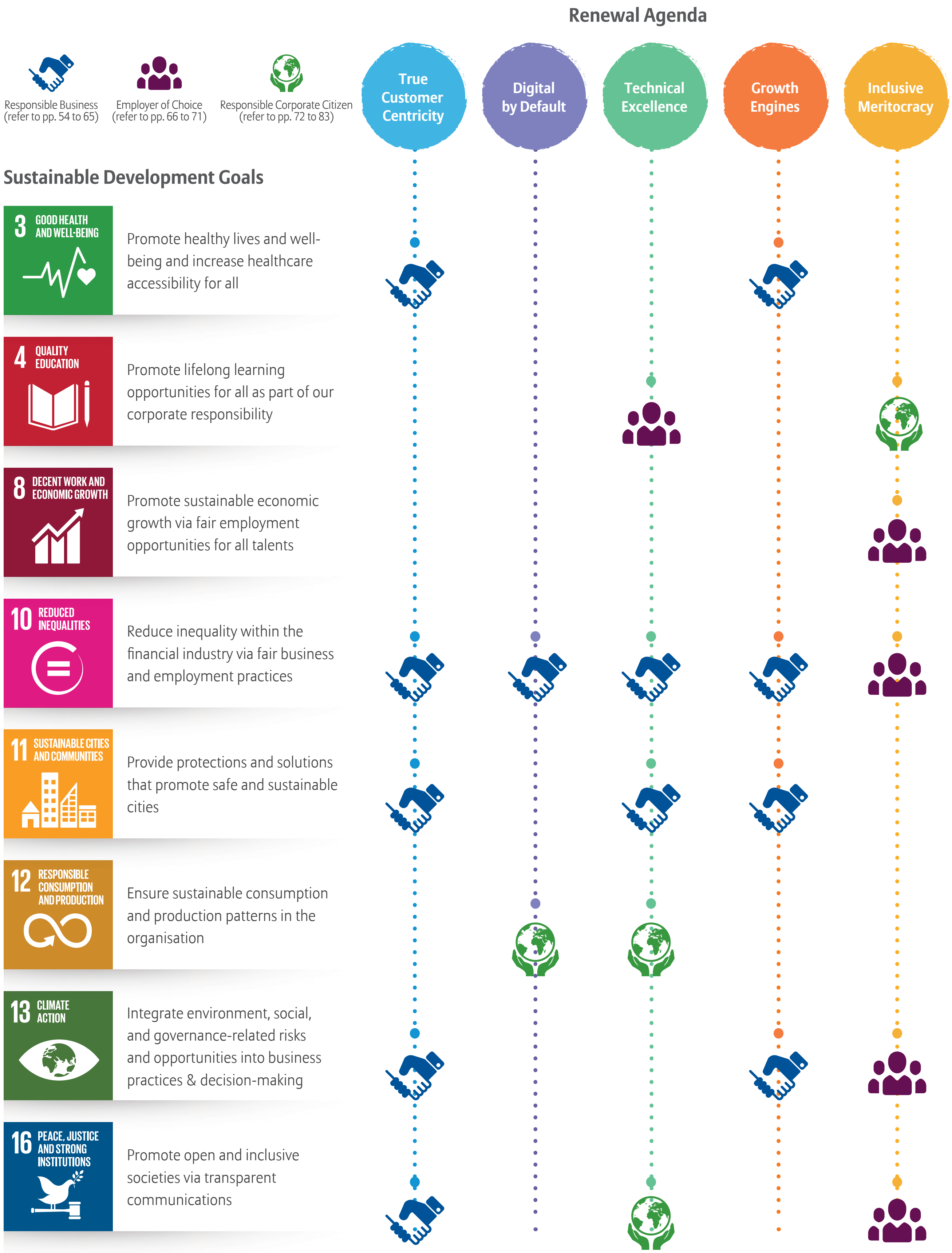


Diagram 1: Connecting the Renewal Agenda with the SDGs

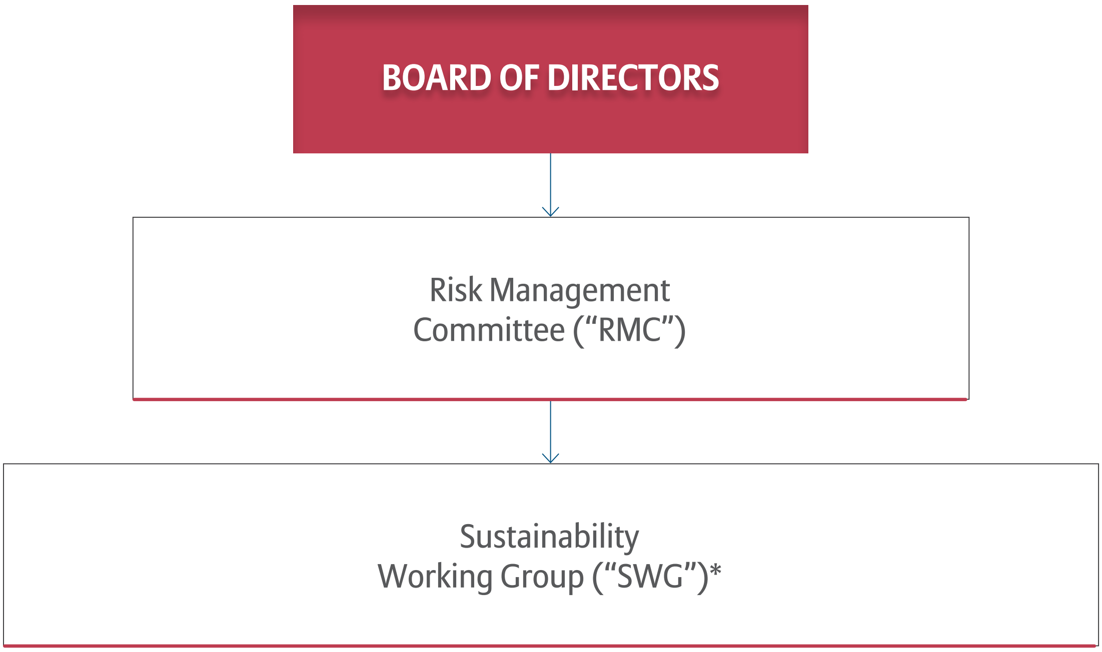
SUSTAINABILITY GOVERNANCE

The establishment of the Sustainability Working Group ("SWG") marks another major milestone in our sustainability journey. The Board works alongside the SWG in providing formal oversight of our corporate sustainability strategy and in ensuring sustainability considerations are integrated into our strategic decisions. With a robust governance structure, we are confident that Allianz is able to accelerate the materialisation of other major milestones set for the forthcoming year. The sustainability governance structure is depicted in **Diagram 2**.

The Board is ultimately accountable for the oversight of management of sustainability matters, and responsible for setting and embedding sustainability-related strategies into our business operations.

The Risk Management Committee ("RMC") of Allianz Board is chaired by an Independent Non-Executive Director and supported by members from the Board. RMC's role is to oversee the implementation of sustainability strategies based on the direction set by the Board. This seamlessly forms part of its duties of ensuring that the risk management process is in place and functioning effectively.

The SWG undertakes the role of implementing and monitoring sustainability initiatives i.e. action plans/measures associated with managing the sustainability matters. SWG is chaired by the Head of Allianz4Good and supported by respective Heads of Department or designated officers from the various functions within Allianz.



**SWG provides progress updates on Allianz's sustainability performance to the Senior Management Committees of the respective subsidiaries.*

Diagram 2: Sustainability Governance Structure

SUSTAINABILITY REPORT

Sustainability Strategy

STAKEHOLDERS AS GAME CHANGERS

We recognise that our stakeholders are game changers because our sustainable growth lies in our capacity to align and connect our strategy with their expectations.

As shown in **Table 1** on the following page, we have been actively engaging a wide range of stakeholders via various channels throughout the year to gauge their feedback and address their expectations.

In addition, we conducted a comprehensive exercise to identify and prioritise a wide range of stakeholder groups. With facilitation of an external sustainability consultant, SWG spearheaded the stakeholder prioritisation exercise to identify stakeholders with the highest level of influence and dependence on Allianz. As illustrated in **Diagram 3**, Customers, Shareholders, Agents/Business Partners and Employees were found to be the most crucial groups for Allianz to engage with.

STAKEHOLDER PRIORITISATION MATRIX

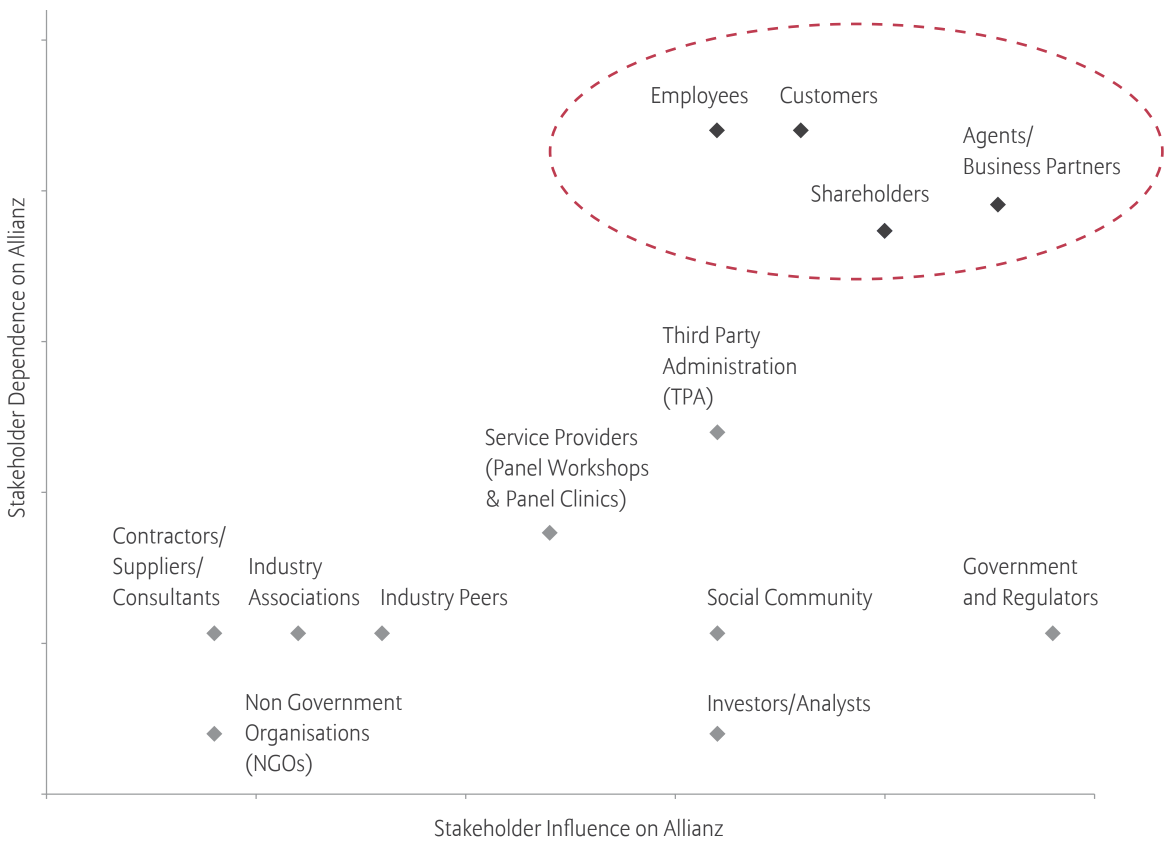


Diagram 3: Stakeholder Prioritisation Matrix

Table 1: Stakeholder engagement channels, key areas of concern, and how we respond to them (exemplary but not exhaustive)

Stakeholder Groups	Engagement Channels	Key Areas of Concern	How do we respond?
Customers	• Online platform (e.g. corporate website, social media, smartphone applications and mobile messaging) • Customer satisfaction survey (Net Promoter Survey) • One-to-one meetings with customer mediators (e.g. Federation of Malaysian Consumers Association) • Community events	• Responsible innovation • Transparency in sales and marketing • Talent attraction and retention • Open and timely communication	(refer to pp. 54 – 65) (refer to pp. 66 – 71)
Employees	• Allianz Employee Survey • Employee on-boarding training • Townhall meetings • Allianz internal publications (e.g. monthly newsletters and quarterly magazines) • Allianz staff portal • Learning and development programmes • Corporate volunteering programmes • Direct employee feedback	• Ethical behaviour • Process efficiency • Customer satisfaction • Technological innovation • Fair employment practices • Work-life balance • Diversity and inclusiveness	(refer to pp. 54 – 65) (refer to pp. 66 – 71) (refer to pp. 72 – 83)
Agents/ Business Partners	• Allianz internal publications (e.g. Agents magazine and quarterly magazines) • Seminar and annual marketing conventions • Agents training sessions • Online platform (e.g. corporate website, social media, smartphone applications, mobile messaging and Allianz agent portal) • Corporate volunteering programmes • Corporate events (e.g. festive dinner) • One-to-one meetings	• Agents' role as an intermediary • Close communications and engagement with agents • Responsible innovation • Learning and development • Data privacy and security • Regulatory changes	(refer to pp. 54 – 65) (refer to pp. 66 – 71)
Government Relations	• Public partnerships • One-to-one meetings	• Responsible products and services • Liberalisation of insurance industry • Diversity and inclusion	(refer to pp. 54 – 65) (refer to pp. 66 – 71)
Investors/ Shareholders	• Annual General Meetings • Quarterly analyst briefings • Quarterly Reports and Annual Reports • Shareholders' circulars • Fund Performance Reports • Online platform (e.g. corporate website and social media) • One-to-one meetings with fund managers and investors • Media releases • Announcements released to local Stock Exchange	• Transparency in sales and marketing • Technological innovation • Data privacy and security • Fair employment practices • Talent attraction and retention	(refer to pp. 54 – 65) (refer to pp. 66 – 71) (refer to pp. 72 – 83)
Community	• Online platform (e.g. social media and smartphone applications) • Corporate volunteering programmes (e.g. community events, knowledge-sharing initiatives and partnerships with non-governmental organisations)	• Open and transparent communication • Public-private partnerships • Community development	(refer to pp. 54 – 65) (refer to pp. 72 – 83)
Media	• Press conferences and events • Media releases	• Open and transparent communication • Responsible innovation • Public-private partnerships	(refer to pp. 54 – 65) (refer to pp. 72 – 83)

Legend:

Responsible Business — Employer of Choice — Responsible Corporate Citizen

SUSTAINABILITY REPORT

Sustainability Strategy

WHAT REALLY MATTERS?

Materiality assessment has become one of our strategic business tools to identify, refine, and prioritise potential EES risks and opportunities as well as the emerging risks that may affect our business and our stakeholder groups.

KPMG International 2014 Thought Leadership Publication: "The Essentials of Materiality Assessment" reported that there are several challenges faced by companies when conducting a materiality assessment. These include broad or overlapping material topics, lack of involvement from Senior Management, and isolation of the materiality assessment process from other business processes, amongst others.

In 2016, Allianz adopted a structured materiality assessment approach which is guided by Bursa Malaysia's Sustainability Reporting Guide. Keeping in mind the above-mentioned challenges, we received guidance from an external sustainability consultant to guide us through the materiality assessment process.

In identifying the sustainability matters, we have considered our operating environment and emerging global risks associated with the insurance industry. This is based on industry-specific references and publications such as the United Nations Sustainability Development Goals ("SDGs") for Financial Services and Global Reporting Initiative ("GRI G4") for Financial Services Disclosures. We are also guided by Allianz Group's Sustainability Report, as our holding company.

The identified sustainability matters were further categorised into three themes, i.e. Responsible Business, Employer of Choice, and Responsible Corporate Citizen.

In addition to the existing engagement approaches, we conducted surveys to determine the level of importance of the identified sustainability matters to our key stakeholders.

The survey involved our employees (including Directors), agents, a representative of our major shareholder - Allianz Group, and the Federation of Malaysian Consumers Association ("FOMCA"), as a representative of our customers.

This was followed by a sustainability risk assessment exercise to determine the level of impact of the sustainability matters to Allianz. Members of the Senior Management group from various functions within Allianz participated in the assessment. For this exercise, we leveraged on our existing internal risk assessment criteria to rate the likelihood and impact of the occurrence of events associated with the identified sustainability matters.

The outcome of the materiality assessment, as shown in **Diagram 4**, was presented and approved by the Board of Directors. Customer satisfaction, technological innovation, responsible sales and marketing, regulatory change, and talent attraction and retention, are the top five material sustainability matters which are of high significance to both our stakeholders and Allianz. **Table 2** on the following page shows our top ten material sustainability matters and their importance to Allianz and our stakeholders. The details of our initiatives in managing these material sustainability matters are discussed in the following pages.

Materiality assessment will remain an important tool in identifying and evaluating concerns raised by our stakeholders and subsequently formulating our strategic plans in pursuit of sustainable business growth.

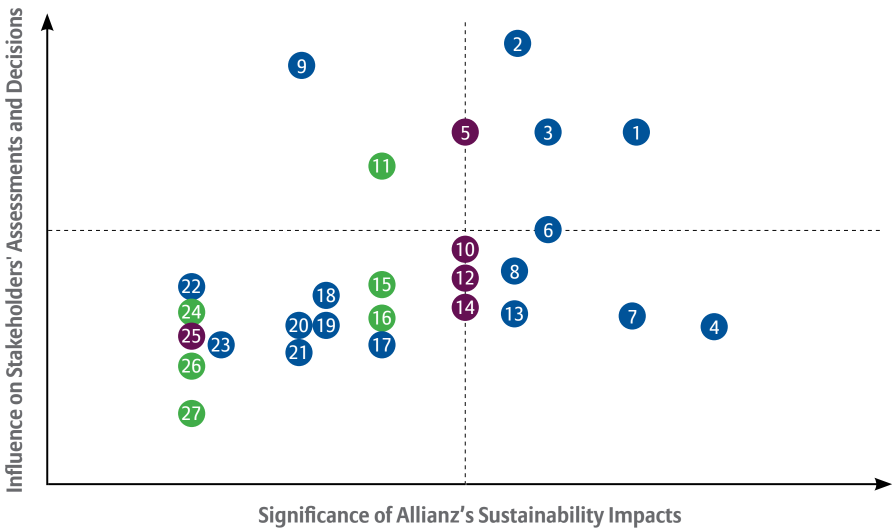


Diagram 4: Materiality Matrix

1. Customer Satisfaction
2. Technological Innovation
3. Responsible Sales and Marketing
4. Regulatory Change (risks and opportunities related to detariffication)
5. Talent Attraction and Retention
6. Transparent Communications
7. Responsible Investment
8. Business Model and Strategy
9. Data Privacy and Security
10. Diversity and Equal Opportunities
11. Ethics and Compliance
12. Employee Training and Development
13. Responsible Products and Services
14. Fair Employment Practices
15. Community Development (Financial Contribution)
16. Community Development (Non-financial Contribution)
17. Underwriting Risk
18. Climate Change and Natural Disasters
19. Credit Risk
20. Market Risk
21. Societal Change
22. Geopolitical Shifts
23. Responsible Sourcing and Procurement
24. Waste Management
25. Employee Health, Safety and Well-being
26. Greenhouse Gas Emissions
27. Energy and Water Management

Table 2: Top 10 Material Sustainability Matters of Allianz

Material Sustainability Matters	Importance to Allianz	Importance to our stakeholder groups
Customer Satisfaction	Customer satisfaction is at the heart of our business strategy, embodied as ***True Customer Centricity*** in Allianz Group's Renewal Agenda. Understanding our customers' evolving needs and providing service that exceeds their expectations allows us to remain relevant and competitive.	In a competitive environment, customer satisfaction is key to our success as a company. Our stakeholders depend on us to deliver on our commitments with superior service to continue playing a prominent role in the Malaysian insurance market.
Technological Innovation	The digital sphere is an open field, with the emerging FinTech industry frequently challenging industrial norms. We understand the importance of staying abreast with technological innovation, both for efficiency gains and to grasp the opportunities that arise from it.	Our stakeholders have various concerns about technological innovation. Customers expect us to offer solutions to meet new demands, while business partners worry about how technology will affect their roles. Our role, in this case, is to embrace digital evolution in a transparent, inclusive, and responsible manner.
Responsible Sales and Marketing	We rely on our intermediaries to deliver our products, and therefore place great importance on ensuring that they understand the 'Allianz Way of Selling'. That encompasses understanding the needs of our customers and providing them easy-to-understand, appropriate solutions.	Stakeholders demand clear and simple-to-understand products and services, with access to the right information from multiple channels. The quality and integrity of our channels of communication are integral to building trust in Allianz.
Regulatory Change (risks and opportunities related to detariffication)	Since its announcement, we have been laying the ground in preparation for the liberalisation of the Malaysian insurance industry. We have taken lessons learned from our peers in the Allianz world to face this new environment.	Uncertainty surrounding the impact of liberalisation affects our stakeholders, particularly regarding its financial consequence. We continue to provide superior value and to be agile in our response to changing market requirements.
Talent Attraction and Retention	As a service-based industry, our business is driven by our people. We focus on recruiting the right talents and creating an attractive work environment for them by offering opportunities for continuous engagement and development.	Our stakeholders recognise the importance of having and cultivating the best people to drive long-term value creation in the organisation. This enables us to provide quality service across all our stakeholder groups.
Transparent Communications	We ensure accountability and transparency by reporting to and communicating with our stakeholders through various channels. Social media allows us to connect with stakeholders in a less formal yet sometimes more efficient way, while our reports and briefings are avenues for more robust analysis.	Communicating our progress and strategies in a transparent manner has always been a cornerstone of our corporate governance. Our various communication channels and engagements are important avenues for building trust and inviting feedback from our stakeholders.
Responsible Investment	We incorporate environmental, social, and governance (ESG) factors into our investment decisions to remain competitive in the market and protect our reputation from value-destroying reputational risks (such as poor labour working conditions, corruption, etc.).	Stakeholders are increasingly demanding transparent disclosure about where and how our capital is being invested. Responsible investment practices allow us to strengthen our credibility and build strong relationships with our stakeholders.
Business Model and Strategy	We consider myriad risks and opportunities in the formulation of our business strategy. We fully utilise the local and international expertise available to us in our decision-making to promote sustainable, long-term value creation for our stakeholders.	Our stakeholders rely on us to take a holistic view of the risk landscape when formulating our strategies to derive continued value. Being prudent and thorough in our analysis and subsequent decision-making builds stakeholder confidence in our long-term success.

SUSTAINABILITY REPORT

Sustainability Strategy

Material Sustainability Matters	Importance to Allianz	Importance to our stakeholder groups
Data Privacy and Security	Development within the digital sphere has coincided with the growth of cyber risk. The security of our stakeholders' data is of utmost importance, and we adopt various precautionary measures to ensure that the risks associated with data protection are properly managed.	Stakeholders entrust us with their data, and we reciprocate that trust with the commitment to ensuring the security and privacy of their data. This is not just essential in maintaining a trusting relationship, but also to the viability of our business.
Diversity and Equal Opportunities	We are committed to promoting inclusion - within our company, in our business, and through our corporate responsibility initiatives. We fully believe that diversity serves to enrich us - broadening our perspectives and presenting new opportunities.	The diversity of our community is reflected in the makeup of our various stakeholders. Operating in such an environment, it is fundamental that inclusivity is built into our organisation and cultivated amongst our people so that we are better able to understand and serve our stakeholders.

Diagram 5 below presents a summary of our key achievements with respect to management of sustainability initiatives across each theme.

Our Key Sustainability Achievements 2016

Responsible Business (more on pages 54 to 65)	Employer of Choice (more on pages 66 to 71)	Responsible Corporate Citizen (more on pages 72 to 83)
Total number of policies: 3.92 MILLION	Amount spent on employee training: RM 4.47 MILLION	Number of vendors who passed Integrity Screenings: 389
Claims paid out to KampungKu policyholders: RM 500,000	Women in management positions: 63%	Reduction in paper forms due to e-submissions: 65.5%
Increase in users to our corporate website: 90%	Employee Engagement Index: 84%	Direct beneficiaries of our corporate responsibility initiatives: ~21,910

Diagram 5: Our key achievements with respect to each theme

CUSTOMER SATISFACTION

From a global perspective, Allianz Group has been in existence for over 125 years. Our company would not be able to sustain its growth without serving the needs of its customers. However, with the introduction of the Allianz Group Renewal Agenda, there is a cultural shift beyond just service to focusing on ***True Customer Centricity*** – that is, seeing everything from the customers' perspective above all else. In Malaysia, our insurance footprint is spread across all states in the country with the provision of over 3.92 million tailored insurance solutions to more than 2.5 million customers. This is depicted in **Diagram 6** below.

Customer centricity is a stance that we have committed to, and this is best embodied by the name change of our Customer Service department to Customer Advocacy, which serves as our key enabler to promote a positive customer experience at every touch point. All employees and business partners are encouraged to live customer centricity, and to achieve this renewed philosophy we have lined up a series of training sessions, workshops, internal communications, engagement activities, and both formal and informal rewards and recognition. Customer centricity also forms part of our employees' performance evaluation, ensuring that across the organisation, employees are putting customers at the forefront of everything they do. The following initiatives are geared towards understanding our customers' needs and offering personalised interactions - according to and how a customer chooses by using service features with multi-channel capability.

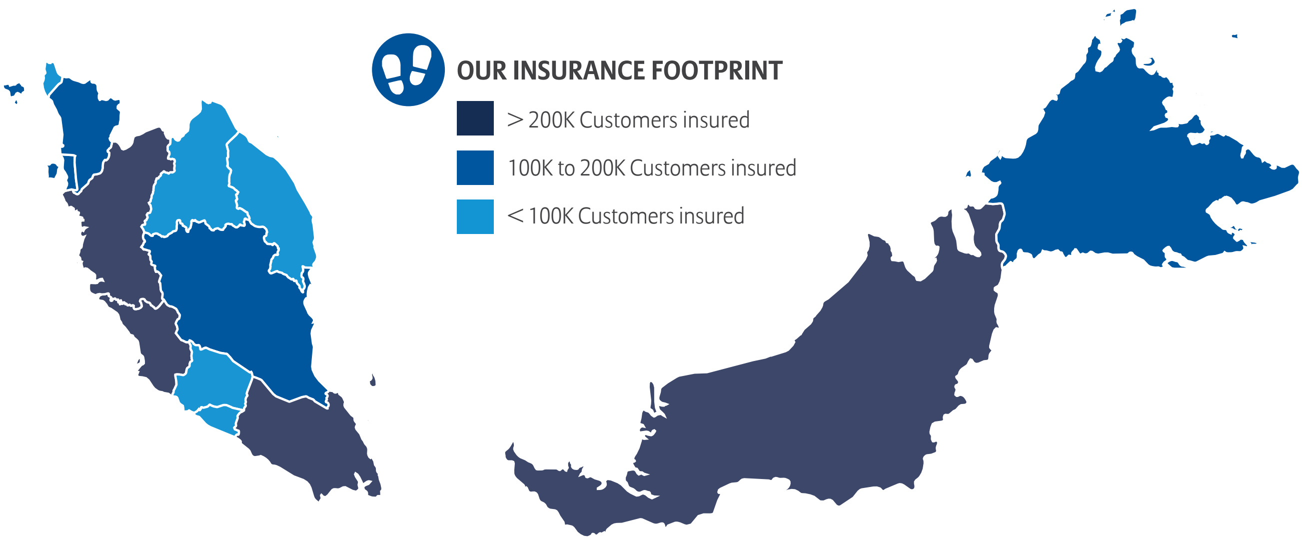


Diagram 6: Our Insurance Footprint

Understanding Our Customers

The Net Promoter Score ("NPS") allows us to gauge our customers' perceptions of their relationship with Allianz based on all their interactions with us during the customer life cycle. The Bottom-Up NPS measures the customer's experience based on a recent specific interaction with the company. The Top-Down NPS is derived based on the responses provided by customers through a survey conducted by Allianz, and is an important measure of customer loyalty. Previously a locally-driven process, beginning in 2016, the execution of the Top-Down NPS is coordinated by Allianz Group to ensure globally harmonised methodology, standards and governance. This is one of the initiatives in support of ***True Customer Centricity*** under Allianz Group's Renewal Agenda. Our Top-Down NPS results for year 2015 and 2016 are presented in **Table 3**.

Table 3: Top-Down Net Promoter Score

Top-Down NPS Performance 2015	Top-Down NPS Performance 2016	
Allianz General		
-41.2% (Market average = -32.9%)	**-19.3%** (Market average = -22.8%)	↑ **21.9%**
Allianz Life		
-35.5% (Market average= -27.1%)	**-18.8%** (Market average = -12.9%)	↑ **16.7%**

SUSTAINABILITY REPORT

Responsible Business

For Allianz General, we improved to an above market position whereas for Allianz Life, we reduced the gap to market average. It is our ambition to become the local market loyalty leader by 2020 for both business entities.

Apart from the NPS, customers are also able to provide their feedback on levels of service provision they have received through our company website, customer service centres, Facebook page, e-mail, and customer careline. We actively listen to our customers, and while 2016 has seen an increase in the number of customer complaints by 15%, in the same period we recorded a 46% increase in our number of compliments. The change in number of complaints received from 2015 to 2016 is illustrated in **Diagram 7** below.

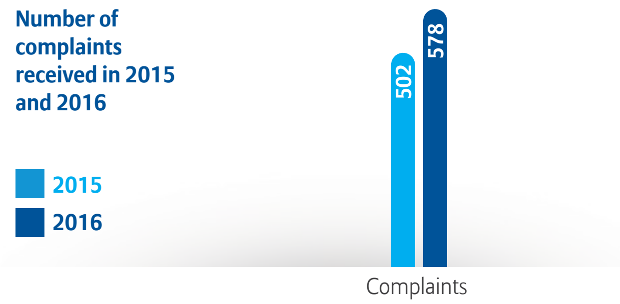


Diagram 7: Number of complaints received in 2015 and 2016

This increase in the number of customer complaints is due to a change in our customer feedback methodology. Where previously complaint registration was largely process-driven, we have expanded our scope to capture dissatisfaction based on customer sentiment to allow for proper investigation before feedback is escalated into a formal complaint. While a reduction in complaints would be ideal, our target is rather to improve the quality of complaint resolution. Our complaint resolution figures for 2016 are illustrated in **Diagram 8** below.

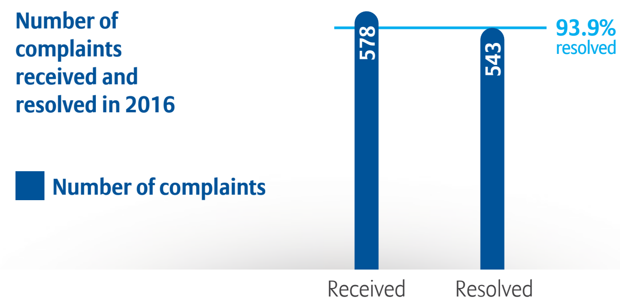


Diagram 8: Number of complaints received and resolved in 2016

Mapping Customer Experiences

In 2016, Allianz adopted the Customer Experience ("CX") methodology to map out customer journeys with the aim of visualising customers' experiences through their eyes. During the mapping exercise, the CX participants - comprising members of various functions within Allianz - step into our customers' shoes and go through the chosen process to better understand the pain and delight points throughout the customer journey.

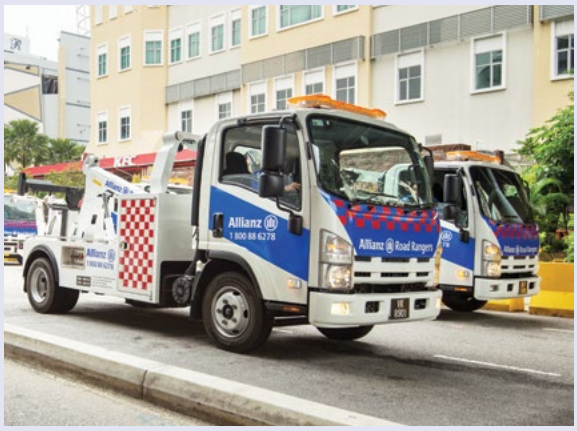
The diversity of participants enables us to collect a broad range of perspectives and feedback, which are then translated into action plans with the aim of removing pain-points and enhancing the positive customer experience.

The outcome of the mapping exercise and analysis of customer feedback from various channels deduced that accessibility to information, professionalism of service, contact frequency and waiting time, and clarity of information are some of the key areas of concern for our customers. The key initiatives pursued by Allianz to manage these matters by leveraging on technological innovation are discussed in the following sections.

Other initiatives include providing step-by-step guides on the website for both prospective and existing customers to source, evaluate product options, and learn about filing insurance claims. We have also increased the touch points with our customers. As an example, as soon as a motor own damage claim is lodged via our authorised panel repairers, our customer service representative will make a call to check on the customer, answer any questions, and clarify their entitlements. Doing this in a timely manner is particularly important to avoid potential disagreements before customers incur any expenses. The same representative will also make a second call after the vehicle is collected to enquire on the satisfaction level of repair works by the repairer and the service level provided to the customer.

Allianz Road Rangers

In January 2017, Allianz launched the Allianz Road Rangers, an accident servicing team for our motor customers. Currently available in the Klang Valley, the Road Rangers consist of a First Response Unit, a dedicated fleet of tow trucks, and a concierge service at major police stations. This aims to alleviate the stress experienced by a customer who has just been through an accident, helping them from the first moment an accident occurs, right up to making a police report and subsequently, paying out the claim.



Allianz Road Rangers has a dedicated fleet of tow trucks to assist customers in the case of an accident

TECHNOLOGICAL INNOVATION

74% *of insurers believe that part of their business is at risk of being lost to FinTech companies*

80% *of insurers see opportunities for differentiation and cost reduction from FinTech*

Diagram 9: Emergence of FinTech in Malaysia

2016, InsurTech: The road ahead, AICB-PwC Malaysia FinTech Survey: Insurance Cut

New technology has the potential to completely disrupt an industry, and insurance is in no way insulated from this – from the advent of driverless cars to the emergence of FinTech. This is apparent to our stakeholders, whose feedback indicated that technological innovation is a key concern. A survey of senior professionals from banks, insurers, asset managers and FinTech companies in Malaysia by Asian Institute of Chartered Bankers (AICB) and PwC Malaysia detailed in their 2016 report "InsurTech: The road ahead, AICB-PwC Malaysia FinTech Survey: Insurance Cut", found that 74% of insurers believe part of their business is at risk of being lost to FinTech companies, as shown in **Diagram 9**. That may be so, but we – like 80% of the respondents – choose to see the opportunities that FinTech could bring. Our initiatives that are focused on both improving customer experience by using digital connectivity solutions as well as venturing into new lines of business are discussed in the following section. This also forms part of our innovation strategy, as one of Allianz Group's core levers of the Renewal Agenda – to be ***Digital by Default***.

Increasing Touchpoints

In an ever-connected world, it is important to our customers that we are easily accessible. Digital tools have helped us increase the ways that customers and our intermediaries interact with us.

On top of our call centre, customer service centres, and e-mail, customers can also reach us via the newly launched A2Z mobile application ("A2Z app") and social media messaging tools such as Facebook, LinkedIn, and Instagram.

However, we also know that nothing can replace the responsiveness and attentiveness of speaking to an actual service representative. On our corporate website, customers can request product quotations and subsequently our agents or customer service representatives will contact them – giving them the convenience of technology without losing the personal service.

Furthermore, our commitment to addressing customer feedback on Facebook within two business hours allows us to respond much quicker in comparison to traditional mail. As we move forward with our customer excellence agenda, we constantly review our tools and platforms to ensure continuity and consistency in our customer dealings.

Automation for Increased Efficiency

Automation allows us to use digital systems to manage standard processes, freeing up our employees to focus their efforts on more complex cases and providing quicker service to our customers.

With the launch of the A2Z app in 2016, customers are able to access key information about their insurance policies in the palm of their hands. Through the app, policyholders are able to access their medical cards, request a hospital Guarantee Letter, submit their claims, and also find information about panel hospitals and clinics. This is in response to general societal sentiment where, with smartphones being able to do more and more, consumers rather have the information at their disposal than have to contact an organisation to find it.

One example of a fully automated product is Allianz Flight Care, an affordable insurance plan that adds value to a customer's travel insurance by providing compensation for domestic flight delays of more than 30 minutes. Our system is immediately notified of a flight delay so that customers do not even need to file a claim and the whole process is able to run without human intervention.

FACEBOOK PAGE

786 enquiries and **168** complaints received via Facebook

34,321 Likes in 2016 (increase of 22%)

2,692 comments and **7,862** shares

The Imagine App

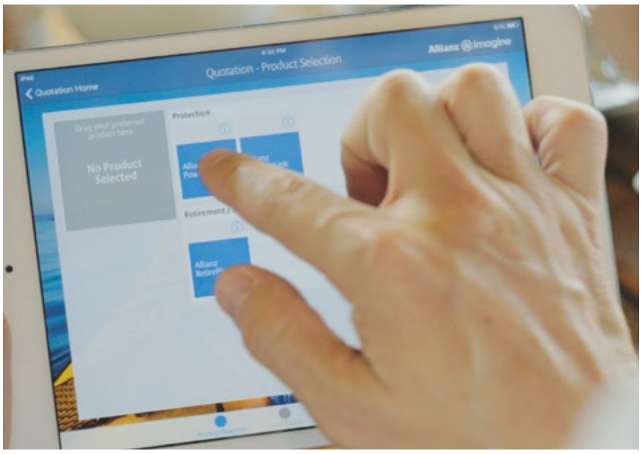
In efforts to better equip our agents, we developed the Imagine App sales tool to assist them at point of sales.

The customer journey – from fact-finding and quotation generation up to new business submission – has been digitalised and can be completed entirely in the app.

Currently, we are working towards enhancing the features of the Imagine App. The upgraded version of the sales tool incorporates reflexive underwriting questions, with the aim of improving the user experience. This automation will reduce the number of questions that customers are required to answer and provide a faster underwriting decision.

We are also working towards improving the Know Your Customer journey by building in an intuitive analysis tool to understand customers' needs before proposing insurance plans to them. This will be an added feature to the current customer fact-finding module within the Imagine App.

Through 30 roadshows held nationwide, we have been able to increase adoption of the Imagine tool to almost 70% of life insurance submissions.



The Imagine App sales tool is designed with agents and customers in mind

The automation of claims assessment and customer response procedures has significantly reduced the turnaround-time ("TAT") for our claims processing, as shown in **Table 4**.

Table 4: Change in turnaround-time for claim resolution of Allianz General insurance products from 2015 to 2016

Insurance Products	Change in Turnaround-time
Non-motor (< RM 3K)	96 hours to 72 hours
Non-motor (RM 3K – 20K)	23 days to 21 days
Non-motor (RM 20K – 50K)	35 days to 28 days
Motor Own Damage* (< RM 15K) *for private cars less than 7 years old and repaired by an authorised panel repairer	5-7 days to 10-60 minutes

92%

Allianz Life claims resolved within targeted Turnaround-time

We continue to roll out digitalisation efforts across our business, with automated underwriting and issuance of e-documents forming part of our plans for 2017.

New Lines of Business

While initially our focus was on using digital tools to speed up existing processes and expand our channels for interaction with our customers and agents, we have become increasingly attuned to the fact that the digital space is far from business as usual. An ever-evolving and fast-paced field such as this needs its own dedicated team to handle the demand for niche insurance specifications that continue to arise. Thus, in 2015, digital innovation teams were set up in both our subsidiary companies to pursue business opportunities in the digital sphere.

One result of this is our partnership with RecomN.com, an online platform for consumers to access and hire a wide range of service professionals. RecomN.com is in partnership with Allianz to provide insurance protection for these service professionals hired by consumers. The insurance coverage would include damages, theft, and public liability. Similarly, other collaborations are already in the pipeline for implementation in year 2017.

Every job transacted on RecomN.com is covered from damages, theft, and public liability by Allianz General

> *" I grew up as society was entering a new era. Compared to the Industrial Revolution, things are moving at lightning speed in the Digital Age. The internet only entered our consciousness in the 90s, and email, online shopping and social media now accompany our daily lives. Our challenge will be to balance leveraging on the opportunities technology affords us, while making sure that the personal care that is at the heart of our service is not compromised. "*
>
> **Tunku Zain Al-Abidin Ibni Tuanku Muhriz**
> Independent Non-Executive Director

With the liberalisation of the insurance market, we are able to expand our offerings to include modular products, where customers can tailor their coverage to include only what they need, as opposed to pre-packaged ones. This is offered directly to customers via our corporate website and also incorporated into our agents' sales tool i.e. *The Imagine App*.

In 2017, tapping on the digital platform, Allianz will launch four online offerings on our website where there is no agent involvement and the entire purchase process is automated. These offerings focus on simple, affordable, and user-friendly products, which is in line with Bank Negara Malaysia's intention of having accessible products whilst increasing the insurance penetration rate of the country.

The Evolution of Digitalisation

"As digital strategies mature, insurers go through several phases of evolution. Initially web-presence is sufficient. Next comes the ability to transact via the internet. The next phase brings process and productivity gains, largely to win cost efficiencies. The most sophisticated are building an ecosystem where they look to interact with their customers in multiple contexts and recognize that customers are complex and multifaceted."

KPMG International 2014 Thought Leadership Publications: Transforming Insurance - Securing Competitive Advantage

At Allianz, we are proactively addressing the challenges arising from the changes associated with digitalisation. An inevitable consequence of our focus on the digital sphere and automation is the effect this has on our agents.

During our stakeholder engagements, it became apparent that there is unease amongst agents concerning their role in the sales process when we implement direct sales via digital channels. We recognise that an agent's role is more than just a sales terminal. For more complex products, agents are able to personally provide financial advice and recommendations and also the entailing follow-up services.

We will continue to support and closely engage with our agents as we progress through various evolutionary phases of digitalisation in the insurance industry.

RESPONSIBLE SALES AND MARKETING

Customers' expectations and behaviours are evolving at a rapid pace, with increasing demand for a more personalised experience. Today, customers have easy access to various online tools as well as multiple touch points to research, shop, and purchase insurance according to their needs. Armed with this knowledge, customers expect simplicity and high clarity in information provided by insurers, which is crucial to enable them to make informed decisions.

Customers tend to lose trust when they do not understand what they are looking at. The financial industry and insurance in particular, has a reputation for having products that are complex, indecipherable and even purposely convoluted. Insurance policies, contracts, and forms are often described as difficult and tedious documents. This has helped to fuel mistrust in the industry and the migration of consumers to FinTech organisations that are able to articulate similar products in clear, simple, and transparent terms. Established institutions tend to err on the side of caution and include more clauses and disclaimers rather than less, but the fact is - if these documents are deemed incomprehensible and remain unread, it is our responsibility to deliver more reader-friendly materials to our customers.

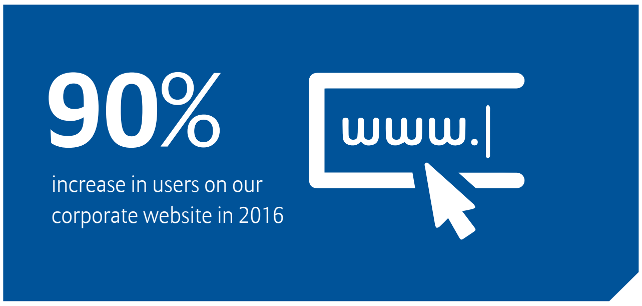
Simplifying What We Say

"Would our customers understand what we want to convey?" This is a key question we ask when preparing our marketing materials.

One of the key areas of concern raised by our customers is that our proposal forms are too long and tedious to complete. In response to their feedback, we are working towards shortening the content, making it more "easy-to-read" and user-friendly. Where possible, we reduce the number of questions in our forms and the documentation required. Our efforts to use digital tools for this purpose are discussed in the ***Technological Innovation*** section of this report.

For our corporate website, we have included more visuals and icons to enhance the clarity of information that we deliver to our customers. We use simple language and include instructional videos to deliver complicated information in a clear and understandable manner.

Step-by-step instructional videos explain the claims process to customers in an easy-to-understand format



Setting the Standard Amongst Our Agents

Regulations and our own internal policies govern the development of our sales tools and marketing materials. However, the nature of our business relies on our intermediaries to deliver them and ultimately reach out to our customers.

Our agents are guided by the Sales Policy and Sales Agent Code of Conduct, which are minimum standards to be observed by intermediaries acting on our behalf. Our life and general subsidiaries have their own Ethics and Compliance Committee which deals with intermediary behaviour that is contrary to the said Sales Policy and Sales Agent Code of Conduct. A Sales Compliance Disciplinary Policy is also in place that defines types of offences/misconducts and the associated recommended disciplinary actions.

With 17,933 agents receiving training and support from our 38 branch offices nationwide, we strive to maintain the consistency in training and depth of knowledge that our agents receive.

On the general insurance side, newly-joined agents attend a specialised On-boarding programme to train them on topics such as responsible and ethical marketing, as well as equip them with product knowledge. As agents become more experienced, the Allianz Sales Lab provides a platform for agents to further enhance their selling attitude and skills which will help boost their production. Apart from training for agents, the A-Team Seminar is offered to agents' employees, providing them essential knowledge on customer service and selling skills, which in turn will add value to the agents. In 2017, colleagues from Allianz's head office will conduct a nationwide tour to branch offices to reinforce the training content of these modules and ensure consistency in their delivery.

From a life insurance perspective, agents are able to access the Allianz Masters training programme aimed at professional development for agents in the Asia Pacific region. Further, the introduction of the "Balanced Scorecard" throughout the industry expands the measures used to calculate agents' remuneration. Apart from financial performance, the scorecard emphasises professional conduct, which includes a minimum level of persistency and agents' understanding of customer requirements. The aim of these initiatives is to ensure that all our agents adopt the 'Allianz Way of Selling', leading to consistently high service standards to our customers.

Continuous training aims to ensure that our agents adopt the "Allianz Way of Selling"

REGULATORY CHANGE

The detariffication of the motor and fire segments of general insurance and the introduction of the Life Insurance and Family Takaful Framework to the life insurance industry has been imminent for a number of years. These changes are being slowly phased in - starting from 2015 for life insurance and in July 2017 onwards for general insurance. As one of the subsidiaries of an international leading insurance company, Allianz has the benefit of being able to tap into the experience and expertise of other members of the Allianz Group that have undergone liberalisation in their respective markets. Picking up their lesson points, we have laid the groundwork to prepare ourselves, our partners and our distribution channels for the yet-to-be-seen impacts of this change.

Solutions for the Long-Term

In a liberalised environment, particularly in the case of general insurance, pricing will be based on customer risk profiles rather than according to fixed tariff rates. From a life insurance perspective, the changes resulting from the Life Insurance and Family Takaful Framework aim to increase transparency and accessibility to information, and advocate fair treatment of customers. Specifically, the introduction of the Balanced Scorecard for life insurance agents and the offer of online products are detailed in the ***Responsible Sales and Marketing*** and ***Technological Innovation*** sections of the report respectively. Allianz is committed to ensuring the long-term viability of our products and services, and on delivering to our customers in moments of truth.

Our strategy leading up to liberalisation has been to grow our existing customer base by offering superior customer service at affordable prices. We will continue to do so by leveraging on technological innovation and providing reliable customer service, as discussed in the ***Customer Satisfaction*** and ***Technological Innovation*** sections of this Report.

Protecting Our Customers

As a measure to protect our customers and to ensure standardisation across the industry, revisions to motor and fire products that deviate 30% from the pre-detariffication terms will need to be assessed against certain criteria and have their wording filed with the General Insurance Association of Malaysia.

In some instances, these products may need to be filed to Bank Negara Malaysia. This process is intended to protect consumers by making sure that products that reach the market have already been vetted for clarity and consistency within the industry.

TRANSPARENT COMMUNICATIONS

At Allianz, we believe that trust is an intangible differentiator. While trust is built over time with a good performance record, transparency in communicating our values, strategies, and product information can lead the way through various platforms. Over the years, we have been transparent in disclosing both financial and non-financial performance results. The details of our initiatives in ensuring transparent communications with all stakeholders are discussed in the ***Stakeholder Engagement*** and ***Responsible Sales and Marketing*** sections of this Report.

Allianz was recognised by MSWG for good corporate governance practices

Recognised for Our Corporate Governance

Allianz was awarded the Merit Award for Corporate Governance Disclosures at the Minority Shareholder Watchdog Group Malaysia ("MSWG")-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016.

The award is given to the top 10 Public Listed Companies that incorporate the best corporate governance practices, identified from the 868 companies that were assessed using the ASEAN Corporate Governance Scorecard methodology.

SUSTAINABILITY REPORT

Responsible Business

RESPONSIBLE INVESTMENT

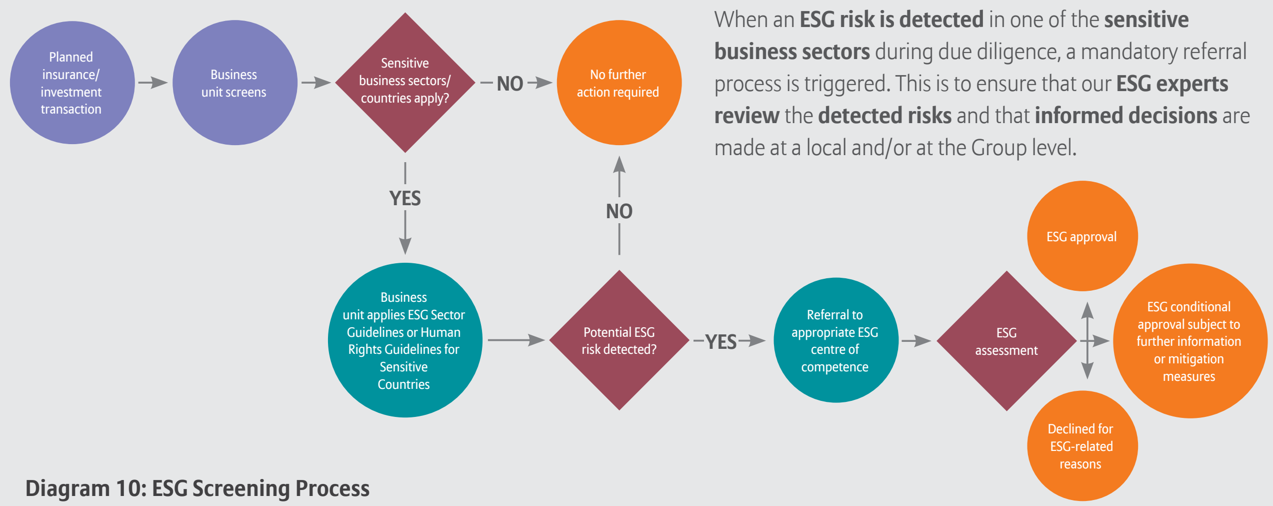
At Allianz, we have been actively using sustainability-related considerations in conducting our investments and business decisions, to ensure that the risks we accept have been holistically assessed. Environmental, Social and Governance ("ESG") screening is part of existing processes and standards, namely underwriting and investment standards for direct financing, as well as our risk management framework. This makes ESG screening an integral part of due diligence by our underwriters and investment managers.

Holistically Screening Our Investments

Our investments are guided by the Allianz Group Investment Manual and our business considerations by the Allianz Standard for Reputational Risks and Issues Management ("ASRRIM"). In the ASRRIM, Allianz Group has identified 13 sensitive business areas which may present reputational, ESG risks to the Group. Each sector has its own set of guidelines outlining key ESG issues to be taken into consideration. The ASRRIM gives due consideration to potentially unmitigated ESG impacts and reputational implications in our business processes. The ESG Screening Process is depicted in **Diagram 10** below.

Each transaction highlighted by the ESG screening is assessed on a case-by-case basis to ensure thorough understanding and mitigation of risks. If, after mitigation, the ESG risk is still significant, the case is escalated to the global ESG Working Group to be evaluated, determining ultimately whether the risk is acceptable. Our intention is that no business is excluded by default, and each transaction is assessed on a case-by-case basis. Through this process, we aim to better understand the risks associated with an insurance and investment transaction and to take necessary measures to address and mitigate these risks. In 2016, four transactions were escalated to the global ESG working group for further ESG assessment. One was declined while the others were approved.

ESG SCREENING PROCESS



When an **ESG risk is detected** in one of the **sensitive business sectors** during due diligence, a mandatory referral process is triggered. This is to ensure that our **ESG experts review** the **detected risks** and that **informed decisions** are made at a local and/or at the Group level.

Diagram 10: ESG Screening Process

Divesting from Coal Businesses

There is widespread scientific consensus that energy generation needs to be uncoupled from greenhouse gas (GHG) emissions in order to limit global warming. With coal being the fuel with the highest CO_2 emissions in relation to its energy content, phasing out coal-based energy production will significantly contribute to transitioning global energy generation to lower emission levels.

In 2016, Allianz Group announced its move to divest from coal-based business models, that is, companies that derive more than 30% of revenue from coal mining or that generate over 30% of their energy from coal. Locally, we have begun restricting such investments. This has affected our investment opportunities, Malaysia being a country that still relies heavily on coal-based power generation. Nevertheless, we see this as a future-oriented move, both in view of the global clean energy transition and also in terms of environmental preservation.

"Sustainability is already in Allianz's DNA, particularly in terms of investment and underwriting risk assessment. ESG topics are not just a reputational issue, but affect our long-term financial viability. The dollars and cents of it may not be apparent now, but the long-term impact of climate change and environmental degradation will inevitably cost more."

Dato' Dr. Thillainathan A/L Ramasamy
Independent Non-Executive Director

BUSINESS MODEL AND STRATEGY

Our deep commitment to and investment in sustainability has continuously helped us to stay agile to anticipate current and forthcoming changes in our operating environment. Through various customer-focused initiatives, we translate the fundamentals of our sustainability strategies into value creation, inspiring lasting change in our business. These initiatives are series of opportunities discovered as we sail through the rapidly changing socioeconomic environment, and have been carefully weaved into our day-to-day business operations to promote long-term value creation for our diverse range of stakeholder groups. The intrinsic interconnections between the key elements of our business strategy i.e. Renewal Agenda and key sustainability initiatives, are shown in **Table 5** below:

Table 5: Key levers of Renewal Agenda and our Sustainability Matters

	Our Key Sustainability Initiatives	
Renewal Agenda	**Sustainability Matters**	**Themes**
True Customer Centricity	• Customer Satisfaction • Responsible Sales and Marketing • Responsible Investment • Responsible Products and Services • Transparent Communications	Responsible Business (refer to pp. 54 – 65)
Digital by Default	• Technological Innovation • Data Privacy and Security • Waste Management • Energy and Water Management	Responsible Business (refer to pp. 54 – 65) Responsible Corporate Citizen (refer to pp. 72 – 83)
Inclusive Meritocracy	• Diversity and Equal Opportunities • Employee Training and Development • Employee Health, Safety and Well-being • Fair Employment Practices • Talent Attraction and Retention • Community Development	Employer of Choice (refer to pp. 66 – 71) Responsible Corporate Citizen (refer to pp. 72 – 83)
Growth Engines	• Business Model and Strategy • Responsible Products and Services	Responsible Business (refer to pp. 54 – 65)
Technical Excellence	• Regulatory Change (risks and opportunities related to detariffication) • Employee Training and Development • Ethics and Compliance • Greenhouse Gas Emissions • Energy and Water Management • Waste Management • Community Development	Responsible Business (refer to pp. 54 – 65) Employer of Choice (refer to pp. 66 – 71) Responsible Corporate Citizen (refer to pp. 72 – 83)

Legend:

Responsible Business Employer of Choice Responsible Corporate Citizen

SUSTAINABILITY REPORT

Responsible Business

DATA PRIVACY AND SECURITY

As we continue to expand into the digital sphere and more of our processes are conducted electronically, we are cautious of the way we manage our customers' personal information. As reported in the 2015 Allianz Global Corporate & Specialty report – "A Guide to Cyber Risk: Managing the Impact of Increasing Interconnectivity", the frequency and sophistication of cyber-attacks and incidents continues to increase and looks likely to do so for the foreseeable future. The recent issuance of Guidelines on Management of Cyber Risk by the Security Commission of Malaysia also indicates that there is a need for greater focus on the management of cyber security risks due to growth in frequency and scale of cyber-attacks in the region. Hence, data privacy and security remains a primary focus in risk management.

Data Privacy Management System

In addition to ensuring that Allianz fully complies with the Personal Data Protection Act 2010 of Malaysia, we are also required to meet the Allianz Standard for Data Protection and Privacy by implementing the Data Privacy Management System ("DPMS"). The DPMS is a set of documented corporate rules, processes, and procedures for systematically managing the organisation's handling of personal data to ensure compliance with applicable regulations and to minimise risks for both the individuals' rights and the organisation's legitimate interests.

The European General Data Protection Regulation ("GDPR"), which will take effect from 2018, is the most significant legislative change in Europe regarding privacy and data protection in the last 20 years. The GDPR imposes more stringent requirements on how Allianz collects and uses personal data, and its extraterritorial reach means that all operating entities of Allianz Group will need to comply. In preparation, Allianz Group launched the Allianz Privacy Renewal Programme ("APRP") in 2016. The APRP is a three-year, multi-phased programme to evaluate and address the requirements of the GDPR globally. In addition, the APRP will legitimise and facilitate the global transfer of personal data (customer and employee) across the Allianz Group through the adoption of mandated levels of data protection and Information Technology ("IT") security. Ultimately, this will increase the privacy rights of individuals and reinforce our obligations to protect personal data.

Security Testing

From an infrastructure standpoint, we have taken various precautionary measures to ensure that our systems are not vulnerable to cyber security breaches. Before the launch of any new system, security penetration tests are conducted by independent parties to assess its security readiness. This is on top of the existing security tests and IT security scans conducted throughout the year. These measures are particularly important as we continue to set up various automated systems and digitalise existing processes with the aim of increasing our efficiency.

Our periodic IT Security Assessments have indicated that while Allianz is subject to numerous cyber-attack attempts, there have been no major incidents and no breaches to the security systems that we have in place. We are currently undertaking a database encryption exercise to further protect our customer data.

In 2016, we introduced a Data Loss Prevention Incident management process, which sets out procedures to manage and prevent the transfer of sensitive data outside the organisation. If a suspicious data transfer is detected, a report is immediately sent to the respective managers and to departments with data privacy oversight, to verify that no sensitive information is being transferred and to block the attempt if otherwise.

Disaster Recovery Facility

Security measures are in place to protect the physical infrastructure of our databases. We have a Disaster Recovery Facility set up to ensure continuity of mission-critical systems in the event of emergency situations, such as a widespread power outage. Through data replication, our turnaround-time for data recovery has reduced from 24 hours to 12 hours.

This is part of our comprehensive Business Continuity Plan ("BCP"), which is in place to ensure that critical functions can be recovered and restored within a predetermined time upon the occurrence of any disastrous events. A dedicated Business Continuity Management ("BCM") team coordinates a BCP Exercise annually and tests our Disaster Recovery Plan twice a year in compliance with Bank Negara Malaysia's Guidelines on Business Continuity Management. In addition to this, awareness training is organised for all employees to familiarise them with the disaster recovery procedures.

Sharing Best Practices in the Region

In 2017, we will be hosting a regional IT security conference for member operating entities of the Asia Pacific region of Allianz Group. The conference will focus on experience-sharing amongst experts in the region, as well as discussions around recent developments in the area of IT security.

RESPONSIBLE PRODUCTS AND SERVICES

At Allianz, we have a Product Development Management Framework in place that aims to promote sound risk management by ensuring the appropriate assessment and mitigation of risks during product development and marketing stages. Having this framework in place ensures that the products we develop are appropriate to the needs, resources, and financial capabilities of the targeted consumer segments while maintaining financial viability, thus helping us to be an innovative company that provides access to finance through relevant products. We offer a number of products and services which we consider particularly responsible due to the needs in society that they fulfil. In both the design and continuous improvement of our socially responsible products and services, we carefully integrate the opinions of our stakeholders and other key considerations arising from the rapidly changing socioeconomic environment.

Products Serving the Underserved

There is a misperception that insurance is only for urban citizens who have the luxury to spend on insurance premiums. At Allianz, we recognise the role that insurance plays as a financial tool offering policyholders adequate protection in the case of misfortune – and one that should be available to all populations.

According to the World Health Organisation, over 1 billion people - about 15 percent of the world's population – live with disability. A compilation of information from Allianz's operating entities worldwide shows that one in three people either have or are close to someone who has a disability.

In 2015, we introduced three products that are accessible for People with Disabilities ("PWDs"). This includes a life insurance plan, a hospitalisation coverage plan and a personal accident coverage plan with affordable premiums. The take-up rate of PWD products is presented in **Diagram 11** below.

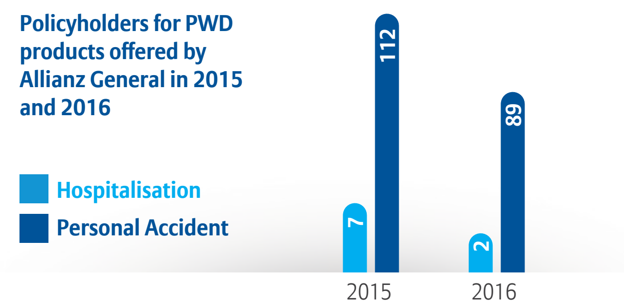


Diagram 11: Number of Policyholders for PWD products offered by Allianz General in 2015 and 2016

Since their introduction, not many of these products have been sold, potentially due to the lack of consumer awareness and limited avenues for distribution of the products. We are continually learning about the needs and requirements of the PWD community, and will use the information and feedback gathered to improve our insurance offerings.

Making Our Premises Accessible

In 2015, we engaged the Kuala Lumpur City Hall to conduct a PWD accessibility audit at our Head Office and customer service centre at Allianz Arena. Based on their recommendations, in 2016 we installed a ramp at our customer service lounge in Plaza Sentral and improved the visibility of the signage at our designated PWD parking lot.

The accessibility audit was carried out at our customer service areas to identify any potential barriers

'KampungKu' is an insurance product that provides protection for previously underinsured "kampung" wooden houses. This product covers the property or household contents against fire, flood, and windstorm risks with an affordable premium for mostly rural communities.

We believe that this product has great potential for growth. We observed that the awareness of the benefits of this product amongst consumers in the market is relatively low. The number of policyholders recorded a reduction in 2016, as illustrated in **Diagram 12** below:

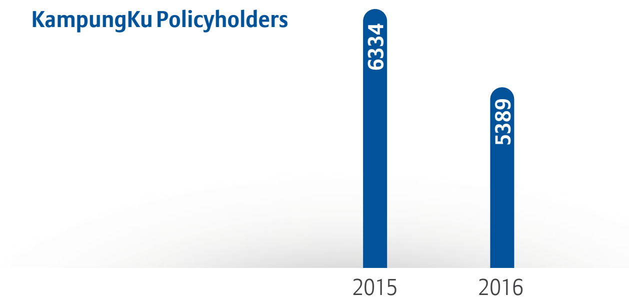


Diagram 12: Number of 'KampungKu' insurance policyholders in 2015 and 2016

Despite the decline in the number of policyholders, in 2016 we paid over RM 500,000 in claims to 'KampungKu' policyholders following heavy flooding in December 2015, assuring us that this is a product that delivers in times of need. The claims process, particularly for these flood-affected areas, is supported by our very own Claims Caravan, which is deployed as a mobile claims processing office.

Service Where it is Needed

In 2016, we continued to deploy our Claims Caravan as a mobile office that heads to flood-affected areas to help deliver insurance services faster to those in need.

With the Allianz Claims Caravan, Allianz customers can walk in to the caravan and fill in a claim form. An adjuster will then be assigned to survey the affected house within 24 hours. Also, our customers would receive a waterproof survival kit containing a blanket, towels, first aid kit, and torch light.

In year 2016, Allianz deployed the caravan to Kemaman, Kuala Terengganu, Kota Bharu, Kuantan, and Temerloh.

Our Claims Caravan was deployed to flood-affected areas along the East Coast of Malaysia to deliver insurance services to those in need

We constantly seek feedback from our customers to improve the quality of these products and services. Moving forward, we plan to increase our insurance coverage for currently underinsured populations by offering an accessible life insurance product with a low barrier of entry, and also by expanding our offerings to a wider audience in Malaysia by pursuing a Takaful licence.

Responding to Societal Changes

The environment surrounding the insurance industry is changing rapidly due to societal changes – particularly the decline in birth rates, rise of ageing populations, and the diversification of customer needs with changing lifestyles.

In recent decades, we observed a rising trend of smaller family sizes. Compared to the traditional Malaysian family model of three generations under one roof, we now have families scattered across various continents. In 2016, we introduced a product that can be used to create a trust to protect family assets.

Allianz PremierLink is a product that allows customers to plan for their family's future

We continue to stay informed of geopolitical and socioeconomic developments to ensure that we design and offer appropriate and timely insurance solutions.

TALENT ATTRACTION AND RETENTION

People are the drivers of our organisation and our nation. Our employment footprint extends to 38 offices, with job opportunities provided to more than 1,900 employees across all states in the country, as depicted in **Diagram 13** below. Offering job opportunities allows us to integrate many talented and diversified population groups into the economy to ensure that growth has a broad effect and is sustainable. Close collaboration between branch offices, our head office, as well as Allianz Group, is a key driver for talent attraction by providing growth opportunities and access to a wide assortment of insurance professionals.

Allianz, as a vibrant insurance company, requires insurance professionals who have the right attributes and skills to understand the broad aspects of risks and who are able to lend themselves to different types of situations in the face of change. A diversified and younger demographic brings freshness of thought and increases our relevance to the customers of tomorrow, while our senior employees bring with them stability and the experience of decades in the industry. Our Learning and Development programme is designed to ensure our employees remain nimble, adaptable, and better equipped to cope with the rising tide of change.

Diagram 13: Our Employment Footprint

Listening to Our Employees

Every year, Allianz Group coordinates the Allianz Employee Survey ("AES") to gather employees' feedback on a range of issues, from jobs and processes, to management and leadership, and the workplace environment.

Over the years, Allianz consistently records high participation rates in the AES. In 2016, 94% of our employees responded, in comparison to 97% in 2015.

This survey is an important means for employees to give their feedback, and the results of the survey are discussed amongst managers and employees to derive action plans that address areas of concern. The AES results are reflected in the performance evaluation of managers, ensuring that the findings are acted upon.

One of the key measurements of the AES is the Employee Engagement Index ("EEI"), which reflects employees' level of satisfaction, loyalty, advocacy, and pride. As shown in **Diagram 14** on the following page, Allianz recorded an EEI of 84% in 2016, slightly lower than the rate achieved in 2015 i.e. 86%. However, this is still within the upper quartile for medium-sized Allianz entities, and surpasses our internal target of maintaining an EEI above 80%.

Based on the AES results, our employees are pleased with the initiatives that we organised. The initiatives were focused on demonstrating a culture of inclusiveness and diversity as well as corporate responsibility at the workplace.

There are some key concerns and expectations raised by our employees concerning the efficiency of processes and access to adequate resources, amongst others. In response to their expectations, we have conducted several initiatives which are detailed in the following sections of the Report, as well as in the ***Technological Innovation*** section.

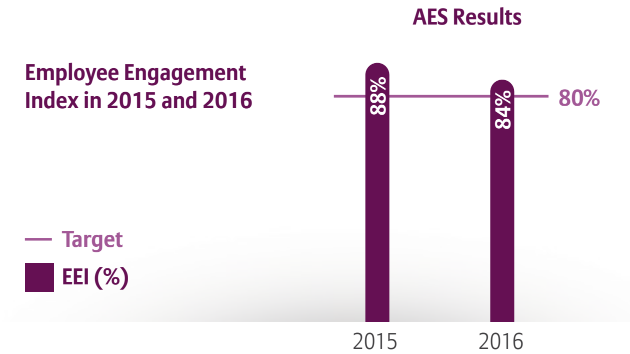


Diagram 14: Employee Engagement Index ("EEI") in 2015 and 2016

Allianz Development Centre

At Allianz, we emphasise the importance of our people to our business. Apart from recruiting the right people into our organisation, we also identify our Talent Pool of high-performing employees with high potential ("hi-pos"). These "hi-pos", who aspire to be fast-tracked in their development, are identified based on their potential and consistent performance and are assessed by our Allianz Development Centre to ascertain their learning and development gaps. A Personal Development Plan is then put together to provide structure and focus in their development to prepare them for the challenges of their current and future roles.

Learning and Development programmes and on-the-job training help our employees to pursue their career growth

Development Programmes for Career Progression

We have two structured programmes that are focused on facilitating our employees' career development. The Management Associate Program targets young internal staff and external recruits, many of whom are just starting their careers. They undergo an 18-month development programme where they learn the fundamentals of insurance and are exposed to various functions within the company through job rotations, training, and industry examinations. Fourteen participants graduated from the programme in 2016.

The Young Board programme was established in 2016 to develop internal young talent who are high potentials. 22 employees were selected for the 18-month programme and have been assigned projects outside of their normal scope of work. Not only do the projects benefit from the different experiences these employees bring with them, but it also opens these candidates up to job rotations and further career development.

Key Highlights from the Allianz Employee Survey

Employees experience an environment where people with diverse backgrounds can succeed, regardless of e.g. race, gender, age, disability, religion, sexual orientation, or ethnic background.

Employees feel that the top management demonstrates that employees are important to Allianz's success.

Employees feel that Allianz shows a high responsibility towards society and the environment and offers appropriate opportunities to get involved.

Awarding Continued Service

At Allianz, we value a working relationship that is long-lasting and built on trust. In 2016, the average tenure of our employees was 8.5 years. We recognise the commitment and contribution of our 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.

Employee Value Proposition

Allianz Group will launch a new employee value proposition in 2017, namely "Allianz is the place for those who dare." Allianz values employees who are motivated to constantly innovate and improve, as we see these as key attributes to staying competitive.

DIVERSITY AND EQUAL OPPORTUNITIES

As we operate in one of the most diverse countries in the world, we believe that diversity is not just rhetoric, but a way of life. Our customers reflect the entire spectrum of diversity in Malaysia – beyond ethnicity, culture and religion, to differences in personal experiences, age, orientation, skills, and perspectives.

At Allianz, we are committed to promoting inclusion both within our company and in our business. Employment and development of employees are based on individual skills, talent, experience, and the behavioural attributes of a person. We abide by the principle of non-discrimination at the workplace based on age, disability, gender, race, religion, political preference or sexual orientation, and aim to embrace diversity in the provision of employment and development opportunities.

Diagram 15 below demonstrates our diversified workforce, which serves as a key enabler for Allianz to have a deep understanding of the hopes and unique needs of our customers. This allows us to determine the best insurance solutions to manage the various risks they face in their businesses and personal lives.

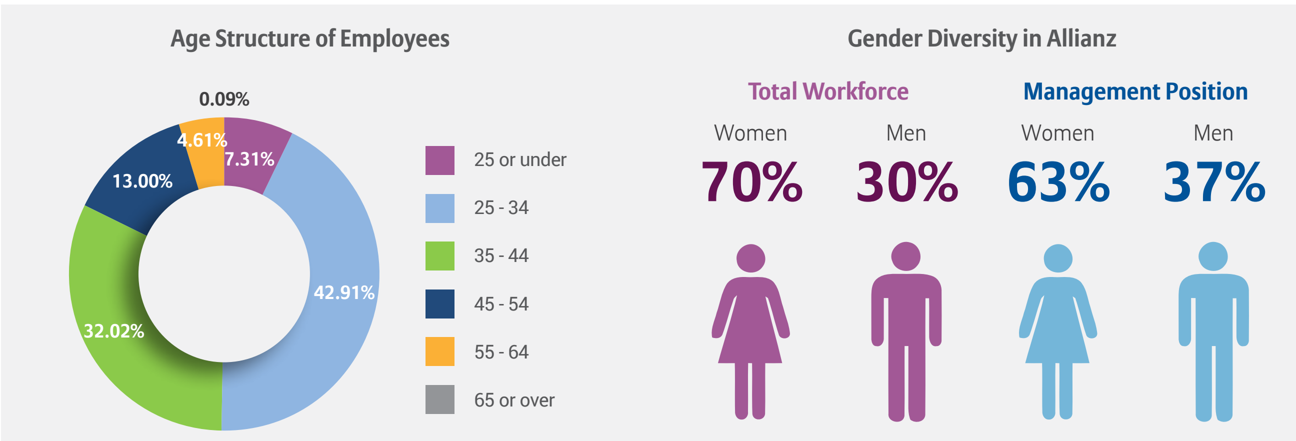


Diagram 15: Our Employee Profile

Building an Inclusive Work Environment

In 2014, we conducted a workshop addressing the topic of 'Accessibility for Persons with Disabilities ("PWDs")', and part of the feedback received was that one of the best ways to empower PWDs is through employment. Thus, in 2015, we held a PWD Employment Day, inviting PWD candidates to our office to learn about our career opportunities and for our own hiring managers to assess these individuals. We currently have 25 PWDs working in Allianz, making up 1.3% of our total workforce in Malaysia. This has marked an increase of 17 people since early 2016.

SUSTAINABILITY REPORT

Employer of Choice

However, hiring PWDs is only the first step in a journey of embedding diversity into the workplace. Apart from holding Disability Equality training to create greater understanding and empathy amongst our employees about working with their new colleagues, we also conducted PWD evacuation training in our head office to ensure that the health and safety of our PWD employees is not compromised. Mini dialogues are organised periodically between our Human Resources team and our PWD employees as a feedback avenue for them and as a form of support.

"Allianz has taken the topic of social inclusion very seriously. This is reflected in our approach to human resource, particularly in the hiring and integration of Persons with Disabilities in the workforce. Embracing diversity and providing an environment based on fair and equal opportunity builds a culture of empathy and understanding, which manifests in the way we treat our customers."

Tan Sri Datuk (Dr.) Rafiah Binti Salim
Independent Non-Executive Director

Equal Opportunities for Achievement

"I'm happy and grateful to work at Allianz as it opens doors for PWDs to have an equal opportunity to strive and create sustainability. Moreover, the opportunity to work with smart, accomplished professionals helps me to grow and make contributions. I hope Allianz will further enhance my learning skills and provide more training in order for me to advance at work. I'm ready to take up new challenges, responsibilities and obtain leadership skills. Thank you."

Violet Lee
Sourcing and Procurement Department

Violet was born with retinitis pigmentosa, a degenerative retinal disease. She began wearing spectacles when she was 5 years old, but her impairment was not recognised until she was in her mid-20s, when it significantly affected her work. She was then diagnosed as being visually-impaired, but struggled to accept this for a couple of years. Finally deciding that she had to progress beyond her diagnosis, Violet went on to work as an assistant employment officer, helping to coach and place PWD candidates in suitable jobs. This led her to know more about PWD employment, and subsequently about Allianz. Violet is now entering her second year with us in the Sourcing and Procurement Department.

EMPLOYEE TRAINING AND DEVELOPMENT

Just as we endeavour to constantly innovate and improve our business, we also believe that our employees should always strive to improve and develop themselves. In 2016, we invested over RM4.4 million on our employees' learning and development.

The Allianz Academy

Our Allianz Academy was established in 2012 as the learning and development platform for our employees, which focuses on four learning pillars, i.e. Technical, Sales, Service, and Leadership. Each pillar aims to equip employees with the skills and knowledge required for their current and future roles.

Professional Commercial Underwriters Certification Programme

Since 2015, our in-house Professional Commercial Underwriters Certification ("PCUC") programme was recognised by the Malaysian Insurance Institute ("MII"), enabling PCUC graduates to fast-track their way towards a diploma with MII. 50 employees participated in the first year since this recognition, with a further 31 employees taking part in 2016, as illustrated in **Diagram 16**. The first group of PCUC participants to be fast-tracked for MII certification is expected to graduate in 2017.

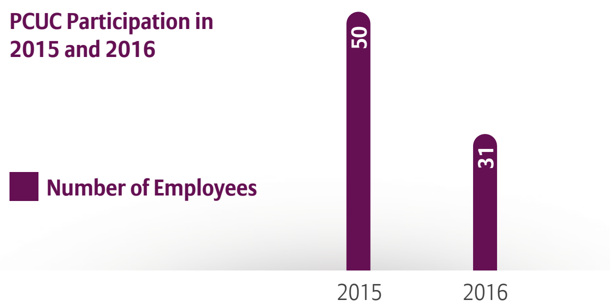


Diagram 16: Number of PCUC participants in 2015 and 2016

We are proud to be the only insurer in the country to have our own technical qualification programme and to have a Memorandum of Understanding with MII.

In 2016, 253 employees enrolled for the MII certification programme, with 55 employees achieving a Certificate of MII ("CMII"), 165 employees achieving the Diploma of MII ("DMII"), while 33 employees successfully completed the Associateship of MII ("AMII"). The figures for 2015 and 2016 are presented in **Diagram 17** below.

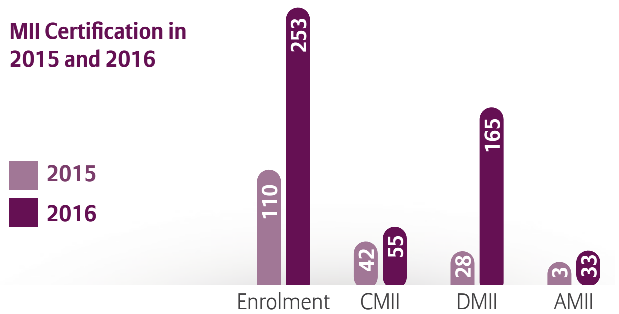


Diagram 17: Number of employees enrolled and that obtained MII certification 2015 and 2016

Other forms of professional qualification are also encouraged amongst our employees via sponsorship of examination and professional membership fees, examination leave, in-house training programmes, and the availability of education loans. We are firm believers that training and certification ensures continuous improvement, which in turn will help us serve our customers better.

By promoting lifelong learning, we empower our employees to achieve their career goals. In 2016, 1,909 of our employees attended at least one training session.

Technical Excellence

Technical excellence forms one of the five levers of Allianz Group's Renewal Agenda. This global Agenda stresses the importance of innovation and growth through best talent and state-of-the-art skills. An example of an internal Allianz Group initiative in driving this excellence is the setting up of global networks to standardise Allianz's offerings and share best practices amongst all Allianz operating entities. This serves as a platform to give and receive feedback, and also enables us to access global technical expertise.

FAIR EMPLOYMENT PRACTICES

Applying fair employment practices is crucial to build our employees' confidence and earn their respect for our leadership. We are of the view that, once we have built their trust in us, they will work more efficiently to achieve company goals. Ultimately, this will lead to higher employee morale and retention. We developed our hiring policies and employee appraisal mechanism in a fair and objective manner to ensure that everyone shares a reasonable and unbiased opportunity in the workforce. In order to maintain a positive employer-employee relationship, we have developed several platforms for communication.

Employee Assessment Management

Fair treatment of our employees is reflected not just through our hiring policies and codes of conduct, but also through the way we assess employee performance. Our employee assessment methodology places equal emphasis on results as it does on how they are achieved. This is intended to cultivate the Allianz 'People Attributes' of entrepreneurship, customer and market excellence, collaborative leadership, and trust.

A new multi-rater feedback system is also being introduced in phases. Beginning with top management, performance evaluation will be based on feedback given not just by their managers, but also by direct reports and relevant colleagues from other departments. This is expected to lead to a more holistic assessment of all colleagues and, subsequently, identification of opportunities for improvement.

Transparent and Open Communications

Quarterly townhalls are also held nationwide where employees are briefed on Allianz's latest results, goals, plans, and strategies. A Question and Answer session with the Senior Management is held at the end of the session to further promote open communications and transparency.

Townhalls are avenues for employees to learn about Allianz's latest results, goals, plans, and strategies

SUSTAINABILITY REPORT

Employer of Choice

EMPLOYEE HEALTH, SAFETY AND WELL-BEING

As a service-based organisation, the well-being of our employees has always been a priority for us. Most of our employees have desk-based jobs, thus their exposure to workplace risks is limited. Nevertheless, we are well aware that for many of our employees, most of their waking hours in the day are spent with us in the office. Therefore, part of being a responsible employer is the creation of an environment where employees' health and safety are prioritised, and where employees are happy to come to work.

Organisational Safety and Health

The safety and well-being of all our employees is under the purview of the Organisational Safety and Health Act ("OSHA") Committee, present in our head office and at branch offices. The OSHA Committee is responsible for organising Fire Safety and Emergency trainings for our fire wardens nationwide at least once a year to ensure that they are well equipped with the knowledge and skills they need to perform their tasks should the need arise.

Annual awareness training on OSHA and Business Continuity Management is organised for employees to familiarise them with the disaster recovery procedures, which are put into practice during disaster simulations conducted every year. This forms part of the risk management practices we have in place to ensure a safe and conducive working environment, and is also discussed in the ***Data Privacy and Security*** section of this Report.

Since year 2013, Allianz Life agents have been organising charitable activities on the annual Allianz Charity Day

Work-life Balance Initiatives

We conduct work-life balance initiatives every month that encompass bowling activities, sports and dance classes, running clinics, and team events. Our employees are also able to take part in global events, such as the Allianz World Run which was organised by Allianz Group in 2016.

Throughout 2017, our employees will also be able to prepare and compete against each other nationally to vie for a spot in Allianz Sports 2018 – a global sporting event bringing Allianz competitors from around the world together for a week of camaraderie, sportsmanship, and competition.

Contributing to Society Through Work

At Allianz, we believe that personal development happens not just on the job, but also through activities beyond work. Our corporate responsibility initiatives benefit not only the communities that we work with, but also serve to engage our employees in meaningful activities that leverage on their strengths. In the ***Community Development*** section, we have detailed a number of structured corporate volunteering programmes that support our corporate responsibility initiatives and in which our employees are invited to participate. In 2016, our employees dedicated approximately 2,370 hours to volunteering activities nationwide.

Our agents are also no strangers to charitable initiatives. For the third consecutive year, our life agents organised their very own Allianz Charity Day, where 90 life agencies dedicated the day to giving back to society. Their initiatives ranged from tree planting, to blood donation, and visits to orphanages and old folks' homes. Members of our Senior Management team also joined in the activities. In future, Allianz intends to expand the reach of this great initiative by involving more members of the Allianz community in the celebration of Allianz Charity Day.

Allianz World Run

In 2016, the first ever Allianz World Run was held, where Allianz employees and agents from over 50 countries around the world accepted a 90-day running challenge. A special app tracked each registered individual's running distance, allowing them to compete with colleagues both nationally and worldwide. Upon reaching certain thresholds, employees would receive special running merchandise.

On top of that, global thresholds were also set that amounted to donations to Allianz Group's global NGO partner – SOS Children's Villages. 600,000 Euros were eventually donated to twelve educational projects when 12,360 Allianz employees and agents ran the equivalent of 34 times around the world. In Malaysia, our 181 participants ran a total of 21,176 km in 2,181 runs to contribute to this number.

Employees of Allianz Group from over 50 countries participated in the first-ever Allianz World Run

ETHICS AND COMPLIANCE

Placing the interests of our stakeholders at the centre of our business strategy, we believe that an ethical culture serves as the best safeguard against material misconduct and heightened regulatory interest. At Allianz, this is nurtured by having policies, guidelines, and trainings in place that are designed to promote and reinforce a strong culture of "doing the right thing" at every level of the organisation.

Allianz Code of Ethics

Annually, every employee is required to attest that they understand and comply with Allianz Group's Code of Conduct for Business Ethics and Compliance. An Allianz Code of Ethics for Senior Financial Professionals is in place and applicable to our senior management and employees responsible for our finance, control, and accounting functions. This Code governs ethical and proper conduct of the employees in both the private and professional spheres, particularly relating to the handling of conflicts of interest and corporate disclosure.

Annually, our Directors and key responsible persons are required to declare their fulfilment of criteria under the Fit and Proper Policy and Procedures for Key Responsible Persons. These policies and guidelines are detailed in the Statement on Risk Management and Internal Control ("SORMIC") in our Annual Report.

Whistleblowing Mechanism

An Integrity Committee coordinates activities concerning prevention and detection of fraud and the handling of whistleblowing incidents. We adopt the Allianz Group Anti-Fraud Policy which defines fraud events and their follow-up actions. The Allianz Group Whistleblowing Policies and Procedures describes the Allianz Group's Speak-up policy and how to handle whistleblowing incidents, as detailed in the SORMIC. Having these systems in place promotes transparency and accountability throughout Allianz.

When entering into new business relationships, we ensure that our contractual obligations are based on ethics as well as long-term viability. We incorporate clauses on subject matter such as anti-bribery/anti-corruption and data protection in our contracts as we expect our partners to be fully aware of and conform to the high standards that we have set for ourselves. The guiding framework and policies are discussed in the following sections.

Anti-Corruption and Anti-Fraud

Our Anti-Corruption and Anti-Fraud policy, formulated by Allianz Group, 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 payments.

This is cascaded down to our business partners through "Anti-Fraud and Anti-Corruption Training for Tied Agents", which is conducted at our branch offices.

Other policies which we have adopted to promote a culture of ethics and integrity within Allianz are Vendor Integrity Screening, Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policies and Procedures, and Allianz Group's Gifts and Entertainment Policy. The details of these policies are discussed in the SORMIC of our Annual Report.

Awareness Training for Employees

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

We continually reinforce these topics amongst our employees through the implementation of compulsory awareness trainings as part of each employee's annual e-Declaration, the inclusion of relevant articles in our internal newsletters, and additional training for employees deemed as high-risk due to the nature of their work.

Examples of awareness training conducted throughout the year include:

- AML/CFT training sessions for employees and agents to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.
- Anti-Competition/Antitrust training for managerial-level employees and awareness materials communicated to all employees.
- Personal Data Protection awareness incorporated into our employee on-boarding training sessions so that, from the beginning of their time at Allianz, employees are able to adequately deal with personal data in line with local laws and as per the Allianz Standard for Data Protection and Privacy.

> *"Integrity is a must-have quality in all our employees and representatives. Apart from complying with local laws and regulations, we also adopt relevant best practices to ensure our ethical standards are among the best in the industry. We recognise the role of strong governance not just as a licence to operate, but as essential protection for our shareholders' and stakeholders' interests."*
>
> **Mr. Foo San Kan**
> Independent Non-Executive Director

COMMUNITY DEVELOPMENT

We believe that building a stable and inclusive society is a necessary prerequisite for being a responsible corporate citizen with a sustainable business. We seek to contribute to building a stronger and a more resilient society by contributing our time, skills, and money. Our corporate responsibility is embodied by Allianz4Good, which encompasses our corporate volunteering and corporate giving activities. **Diagram 18** below illustrates our community footprint across various locations that we are operating in.

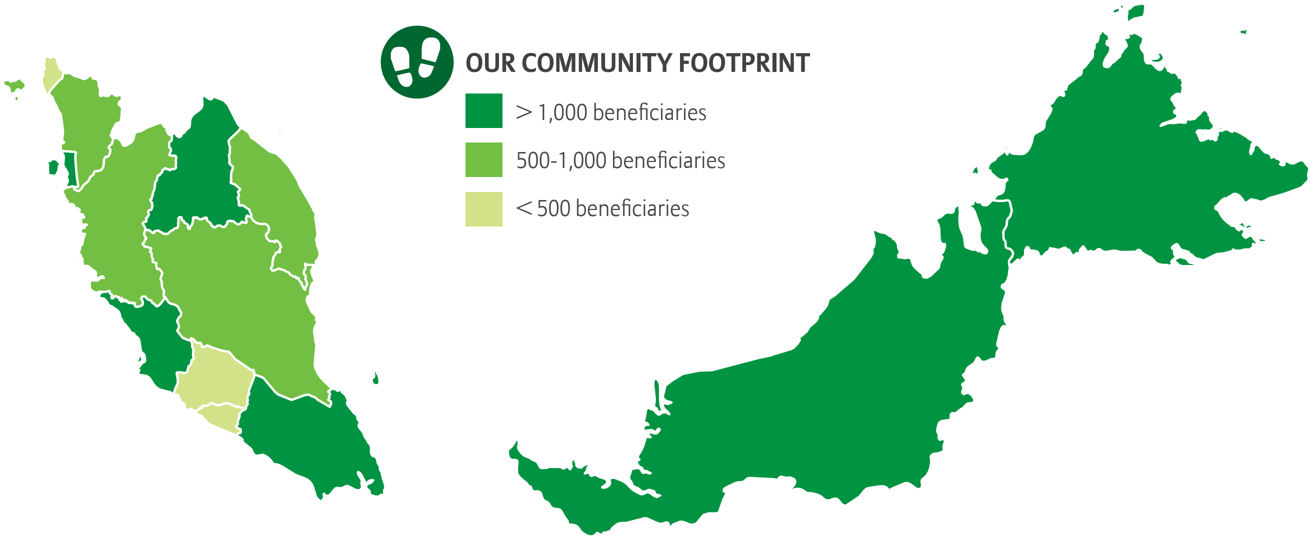


Diagram 18: Our Community Footprint – Direct Beneficiaries*
**defined as beneficiaries with direct exposure to Allianz programmes involving Allianz employees and volunteers*

Our corporate volunteering activities are governed by our Corporate Volunteering Policy, which sets out the procedures for volunteering and entitlements of our volunteers. Volunteers act as representatives of Allianz during our corporate responsibility events, and therefore adhere to the employee Code of Conduct to govern their behaviour. Just as we do for our business partners, we assess the integrity of our non-profit partners by applying an Integrity Check for Non-Profit/Non-Governmental Organisations to all potential partners from the social sector. This screening assesses the organisation as well as its key personnel to ensure that our exposure to financial and reputational risk is minimal. We work with reputable and reliable partners to ensure that our social commitments are on par with the high ethical and legal standards of our business dealings, and that our programmes are delivered smoothly.

Risk is inherent in our business as an insurer and thus we leverage on our expertise to address five focus areas where we believe we can effect most meaningful change. These five pillars of our engagement are presented in **Diagram 19** below:

SAFETY	FINANCIAL LITERACY	DISASTER RISK REDUCTION	ENVIRONMENT	COMMUNITY
To reduce risks through awareness-raising and advocacy	To increase the financial literacy levels of children and young people	To build resilience of vulnerable communities in disaster-prone areas	To embed environmental considerations into the company and promote environmental stewardship in the community	To serve underserved/ marginalised communities

Diagram 19: Five Pillars - Allianz's Corporate Responsibility Objectives

PILLAR 1: SAFETY

Raising Awareness of Risk Management

As one of Malaysia's leading motor insurers, reducing on-road risks is in our best interests, both for the safety of our customers and also to benefit the industry and society as a whole. We have been a strong advocate for road safety since 2011, when we signed a Memorandum of Understanding with the local road safety department – Jabatan Keselamatan Jalan Raya ("JKJR") - which marked the beginning of our partnership for this cause.

Our road safety initiatives encompass Road Safety Advocacy Campaigns held jointly with JKJR where our employee volunteers, trained as Road Safety Ambassadors, distribute road safety items and advocate safe road behaviour to the general public. These campaigns are conducted in accident-prone areas, at schools, and during festive periods.

Partnership for Road Safety

We are constantly looking for opportunities to improve our approach towards road safety advocacy. In 2016, we sponsored a study by the Malaysian Institute of Road Safety Research ("MIROS") to study the impact of behavioural change intervention on the use of high-visibility windbreakers for motorcyclists, specifically the ones distributed by Allianz, and how this affects accident and fatality rates. Over 1,300 motorcyclists from 22 companies nationwide participated in the year-long study. The results of the study indicate that intervention programmes are able to improve the wearing rate of high-visibility windbreakers and this corresponded with a reduction in the accident involvement of study participants. Studies such as this one help to inform our decision-making for future initiatives.

"Allianz is a strong supporter for road safety and has committed resources in term of time, brain power, and financially to work hand in hand with MIROS to help improve road safety in Malaysia. I personally think that Allianz has set itself as a role model to the others in the industry by taking concrete actions towards achieving that goal."

Dr. Sharifah Liew
Head of Behavioural Analysis & Valuation Unit
Malaysian Institute of Road Safety Research

After attending the MIROS intervention programme, motorcyclists were more likely to wear high-visibility windbreakers while on the road

A motorcyclist exchanges his old helmet for a new, safe one at our Road Safety Advocacy Campaign

Road Safety Advocacy Campaigns

During our Road Safety Advocacy Campaigns, motorcyclists who are using old or unsafe motorcycle helmets are able to exchange them for new ones. At the same time, we distribute reflective windbreakers and motorcycle stickers, which increase the conspicuity of motorcyclists in low-light conditions. For young automobile passengers, we give out child safety booster seats that raise their sitting height, thereby reducing their risk of seatbelt injury. At campaigns near school areas, we distribute child motorcycle helmets to young pillion riders under 12, who are usually without head protection. Additionally during festive seasons, we distribute car seatbelt shoulder pads with safety messages and which help to relieve the stress and chafing from seatbelt straps, as well as motorcycle first aid kits.

Road Safety Education Programme

From our experience, we have found that many road accidents result from behaviour-related causes. We believe that education is the key to tackling this, thus we are targeting a new generation of road users – primary-aged children who have not yet formed bad road habits. Our road safety education programme is made up of two different approaches – an interactive circuit and an in-class road safety education programme.

During the interactive session, we set up a hands-on circuit complete with a miniature zebra crossing, replica traffic lights, a road sign station, helmet station, and seatbelt station. Primary school-aged students complete the circuit in groups, learning different road safety essentials and guided along the way by our Road Safety Ambassadors. While the interactive circuit caters for many small groups of students in short sessions, the in-class road safety education programme allows students to delve deeper into road safety topics over an hour of class time. On top of that, we distribute reflective wristbands and road safety tips booklets as a way of encouraging positive road safety behaviour among children. In 2016, we conducted five interactive sessions and ten road safety education classes, reaching 1,840 students.

Allianz Road Safety Ambassadors cultivate safe road behaviours amongst school-aged students

We continue to focus our efforts in road safety education by rolling out more classes and interactive sessions as an effort to shape students' road behaviour. Not leaving existing road users out, we aim to also address behavioural change through targeted campaigns addressing topics such as mobile distraction.

Safety for Our Community

Apart from reducing on-road risks, we also advocate risk reduction in a range of other topics. Fire safety trainings for agents and employees were held in four of our office locations over 2016 and, for the first time, we held a narcotic crime training session at our head office to raise awareness of these lesser-publicised crimes and ways that our employees could reduce their vulnerability to them. We also sponsored a women's street crime awareness campaign organised by the Road Safety Marshal Club which was open to members of the public.

Fire safety awareness trainings are held at our offices for the benefit of our employees and agents

PILLAR 2: FINANCIAL LITERACY

Financial Literacy as a Core Competency

Having a financially literate society is not only beneficial in terms of social inclusion, but is also essential to the sustainability of our business as a financial service provider. In 2016, we approached the topic of financial literacy in three ways: (1) My Finance Coach ("MFC") – our employee volunteering programme; (2) the Allianz Finance Challenge – a competition for secondary school students; and (3) a financial literacy activity in PINTAR Foundation ("PINTAR")'s Mobile Learning Unit 2. Through these initiatives, we were able to reach over 31,000 children in 2016.

My Finance Coach ("MFC")

The MFC programme was first implemented in Malaysia in 2012 with the aim of improving the financial literacy of children and young people and to prevent them from falling into debt. Through MFC, employee volunteers are trained as Finance Coaches who enter schools and non-profit organisations to share their knowledge with and coach young people on money matters.

Employees trained as Finance Coaches conduct interactive lessons at schools to share their financial knowledge

We partnered with the Federation of Malaysian Consumer Associations ("FOMCA") for the fourth year in a row to roll out MFC in conjunction with their National Consumer Day competition. **Table 6** below shows the outcome of the MFC programme for years 2014 to 2016.

Table 6: Outcome of My Finance Coach Programme

My Finance Coach Programme

	2014	2015	2016
Number of students reached	2,041	2,317	2,486
Number of Coaches trained per year	57	105	47
Total number of Coaches trained (cumulative)	239	344	391
Number of volunteering hours (approximate)	744	600	524

My Finance Coach in Malaysia

My Finance Coach is a not-for-profit initiative led by the My Finance Coach Foundation based in Munich, Germany. The MFC programme in Malaysia is based on materials and content from the MFC Foundation, which has been developed in cooperation with Klett MINT - a German schoolbook publisher - and is reviewed and revised by an independent Advisory Committee made up of teachers, educational experts, and academics on a regular basis. The teaching material is provided free of charge and does not contain any advertisements. All Finance Coaches are required to adhere to a Code of Conduct committing them to the non-commercial nature of MFC.

Find out more about the international My Finance Coach programme at www.myfinancecoach.org

Allianz Finance Challenge

A new addition to our collaboration with FOMCA in 2016 was the Allianz Finance Challenge. The competition consisted of two different categories; lower secondary students ranging from 13 to 15 years of age, and upper secondary students aged 16 to 17 years. Students were assigned the task of planning an educational trip to Penang and Singapore respectively in which they were required to prepare a detailed and realistic budget and itinerary and present the result of their travel arrangements through a written proposal and video presentation.

Garnering a total of 51 entries from 38 schools nationwide, the competition served as an opportunity for students to apply their knowledge on financial planning while exercising their innovation and critical thinking skills.

Winners of the first ever Allianz Finance Challenge won trips to Penang and Singapore respectively

Learning through Play

2016 saw the conclusion of our sponsorship with PINTAR for its Pintar Mobile Learning Unit 2 ("PMLU 2"). The PMLU 2 is a bus that has been converted into a fun learning space, and its theme for 2015 and 2016 was "Promoting Intelligence". The PMLU 2 travelled to schools, orphanages, and carnivals around the country to engage with children and young people. Under the trait of Logical Intelligence, Allianz sponsored an activity that simulated a shopping aisle, complete with barcodes and a scanner, which challenged students to plan and spend within a specified budget and at the same time exercise their logical and critical thinking skills to make wise spending decisions. A second activity revolved around the topic of savings, helping to illustrate the savings requirements for different items and to cultivate the habit of setting savings goals and plans. Throughout 2016, the PMLU 2 was stationed at 108 schools and reached 28,502 students.

The PMLU 2 had a simulation of a grocery aisle to challenge students' financial skills

Global Money Week 2016

In conjunction with Global Money Week 2016, an event organised globally by Child and Youth Finance International ("CYFI"), we brought the PMLU 2 to one of our non-profit organisation partners, Yayasan Chow Kit. 21 children aged 10 to 12 years were able to experience the different activities that the PMLU 2 had to offer.

SUSTAINABILITY REPORT

Responsible Corporate Citizen

PILLAR 3: DISASTER RISK REDUCTION

Reducing the Vulnerability of Disaster-Affected Communities

In recent years, Malaysia has been subject to natural disasters of increasing number and severity. We are able to provide a measure of security to our customers via our products and services, but at the same time we recognise that certain populations are more vulnerable to disaster than others. Our disaster risk reduction initiatives focus on preparedness and relief, with the aim of building resilient communities.

Flood Survival and Drowning Risks Awareness Workshops

In 2015, we piloted our approach to disaster risk reduction through the organisation of Flood Survival and Drowning Risks Awareness Workshops for two flood-affected communities in Kelantan, namely Tanah Merah and Kuala Krai. These workshops were very well-received, and in 2016 we continued to roll them out for flood-prone communities in Kuantan, Dungun, Temerloh, and Gua Musang. During these workshops, we present the community with a Flood Saver Kit to be used by the designated evacuation centre, and each participant receives an Allianz Survival Kit specially put together to assist them in case of an emergency. Along with our internally-developed flood preparedness brochure, essential items such as emergency torchlights, survival bandannas, multi toolkits, and emergency blankets form part of the Allianz Survival Kit. In 2016, we distributed 800 survival kits to flood-prone communities.

A participant of the Flood Survival and Drowning Risks Awareness workshop demonstrating the use of an emergency blanket

In addition to equipping vulnerable communities with the right knowledge, in some cases it is necessary to provide them with the right equipment. In particular, we assist Orang Asli (indigenous) communities in Gua Musang that have been badly affected by flood and who are not always able to access sufficient support. In response to a request from the community, we provided tents to 100 Orang Asli families from five villages in Gua Musang. The tents are intended for use when families need to evacuate their homes because of flood. Additionally, water filtration devices were distributed to two Orang Asli villages in Gua Musang and to two schools in Tanah Merah as a means of ensuring their water security during emergency situations.

Often, in the case of floods, rivers are swamped with mud and debris and normal water sources are contaminated. Thus, the water filtration devices, which do not require any power to run, are important sources of potable water in these circumstances.

The water filtration devices are able to filter out bacteria and harmful chemicals with no boiling required

Since 2015, we have worked closely with one of the schools, SK Tebing Tinggi in Tanah Merah, Kelantan, to bolster their capacity to cope with disaster. We focus on this school in particular as it is the identified evacuation centre for the surrounding community, and is frequently affected by floods due to its riverside location. In 2017, we plan to support the installation of a solar power generation system in the school premise, which would go some way in providing energy security in an emergency situation and possibly also bring down the school's day-to-day running costs.

Responding in Times of Need

Apart from building the preparedness of affected communities, we would also like to build our internal capacity to support communities in disaster situations. Our ambition is to set up an emergency response team made up of Allianz employee volunteers who are equipped with different skills according to their capabilities and interests.

In 2016, we piloted a disaster response training programme for nine of our employees and five teachers from two schools in Gua Musang. The two-day intensive training aimed to equip participants with survival and rescue skills and introduce them to a post-flood situation. While rescue and response is a job best left to professionals, we believe that the training will go some way in preparing the trainees mentally for other tasks, for example distributing relief items or conducting psychological first aid for flood survivors.

As we continue to build our internal volunteering capacity, we recognise the need to support disaster relief efforts in the immediate post-disaster. In 2016, we contributed a total of RM30,000 to the Malaysia Volunteer Fire and Rescue Association to support its relief efforts in response to a fire in Kudat and the earthquake in Banda Aceh at the end of the year.

PILLAR 4: ENVIRONMENT

Building an Environmentally Conscious Community

Within our business and operations, our environmental impact management is guided by Allianz Group's Climate Change Strategy, which is discussed in the ***Environmental Management*** section of this Report. We recognise the need to advocate and promote a culture of environmental stewardship in our wider Allianz community.

Embedding Environmental Awareness Among Our Employees

Beginning in 2015, Allianz ran a collection drive for glass bottles and tin cans amongst our employees. These bottles and cans were not destined for the recycling centre, but instead formed part of the structure of Malaysia's first ever Earthship. The construction of the Earthship was initiated by Build for Tomorrow, a social enterprise that promotes sustainable building.

An Earthship is an eco-friendly self-sustaining house built out of recycled items such as used tyres, bottles and palm fibres. This particular Earthship - built with and for the Orang Asli from the Temuan community in Jelebu, Negeri Sembilan - was fitted with solar panels and a rainwater harvesting system, both sponsored by Allianz.

Our employee volunteers dedicated over 400 hours to help build the structure, and at the same time received first-hand exposure to and experience of sustainable living.

Allianz volunteers helped to build the Earthship using recycled materials

Allianz Sustainable Living e-booklet

In 2015, we celebrated Allianz Group's 125th Anniversary by highlighting the emerging megatrend of environmental change. As a conclusion for the year of activities, we invited our employees to submit 125 tips for sustainable living to be compiled into an e-booklet which was then distributed throughout the organisation.

We organised a number of initiatives throughout 2016 to raise internal awareness on environmental topics, such as eco film screenings at our branch offices, and support for the World Wide Fund for Nature (WWF)'s Earth Hour initiative where ten of our office locations committed to switching off lights at lunchtime during the month of March. In conjunction with Children's Day, we organised an eco-walk and terrarium workshop for our head office employees and their children to foster a love for the environment in our wider Allianz family.

To commemorate Children's Day, employees worked together with their children to create terrariums that they then brought home

We also celebrated Environment Day by organising recycling drives at 20 of our office locations, where a total of 6,495 kg of paper was recycled during that event alone. All proceeds from the recycling drive were channelled to the Bornean Sun Bear Conservation Centre, a sun bear rescue and rehabilitation facility in Sabah.

6,495kg

paper recycled on Environment Day

PILLAR 5: COMMUNITY

Building a Socially Inclusive Community

Insurance is a tool that, in the case of misfortune, allows the insured to have an opportunity of resuming their circumstance before that misfortune. We recognise that many marginalised communities do not have an equal starting point in the first place. Through our corporate giving activities, we aim to equalise the opportunities of the underserved to be fully participative members of society.

Equalising Opportunities for the Underserved

In 2016, we delivered over 9,000 pairs of school shoes to underserved children in Sabah and Sarawak. These primary-aged children are mainly based in rural and interior areas of East Malaysia, and were identified by the state education departments of Sabah and Sarawak respectively as coming from an underprivileged background. Shoes were also given to children supported by the Partners of Community Organisations in Sabah (PACOS) Trust, a community-based organisation that aids indigenous communities in Sabah. Our intention was to provide protective footwear for these students – a basic need which not all of them had access to.

East Malaysian students from underprivileged backgrounds trying on their school shoes

The urban homeless and poor are another marginalised group that are easily overlooked. We support the work of Pertubuhan Tindakan Wanita Islam ("PERTIWI"), which provides basic medical services and runs the PERTIWI Soup Kitchen to distribute food to this community. We donated a four-wheel drive pickup truck for use by their medical team of volunteer doctors, and also participated in one of their regular soup kitchen activities. Noting the positive response from our volunteers, we will increase our support for and participation in the PERTIWI Soup Kitchen activities in future.

At the PERTIWI Soup Kitchen, volunteers distribute food to the urban homeless and poor

We also organised a number of goodwill activities throughout the year in commemoration of festive events. In conjunction with Hari Raya, we carried out a donation drive for basic necessities such as rice, sugar, cooking oil, and hygiene items amongst our employees. Over the Ramadhan month, our employees distributed these items to orphans, poor families and communities still affected by the 2014 floods across ten locations in Kelantan, Perak, and the Klang Valley. We reached 3 schools, 4 non-governmental organisations, and approximately 60 families.

In September for Malaysia Day, we organised a nationwide Blood Donation Drive and Organ Donation pledge at eight locations that saw employees and members of the public coming together to contribute.

To mark the end of the year, we organised a gift-giving initiative where our head office employees were invited to contribute presents to over 200 children from four homes in the Klang Valley. The positive response from our employees assures us that these opportunities for giving help us to reinforce our caring corporate culture.

Reducing the Barriers of Disability

2016 marked the tenth year since we began sponsoring Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI"), a charitable organisation that was set up to provide door-to-door transport for wheelchair users within the Klang Valley. MOBILITI's vans are specially modified with hydraulic lifts and wheelchair restraint systems to enable passengers to travel comfortably around the Klang Valley for a minimal fee. Our sponsorship covers MOBILITI's operational costs, which include fuel, toll, maintenance, and salaries. We also provide free Motor Insurance and Driver and Passenger Personal Accident insurance for the four sponsored vans. With our support, MOBILITI was able to make over 10,300 trips during their financial year which ended in June 2016, and is a valuable service for over 1,700 registered passengers.

In our efforts to increase the social inclusion of PWDs, we sponsored a delegation of 26 Malaysian participants – including competitors, officials, sign language interpreters, and a judge – to attend the 9th International Abilympics competition held in Bordeaux, France. The Abilympics, coined from the phrase Olympics of Abilities, is a PWD skills competition in five general professional categories, namely Services, Information Technology, Industry, Craft, and Food, and which is split into 48 different skills. Four Malaysian Abilympians returned home with medals, leading Malaysia to rank 8th out of 37 participating countries. The Abilympics helps to overturn traditional views in regard to the abilities of PWDs, and we are proud to support this empowering event.

Allianz sponsored a delegation of 26 participants to attend and compete at the Abilympics in Bordeaux, France

Engagements for a Positive Allianz Experience

We see our sponsorship engagements as opportunities for us to engage informally with members of the public. Through our events, we aim to build a positive experience for people who may not have encountered Allianz before.

2016 marked the fifth year since Allianz began sponsoring KidZania Kuala Lumpur ("KidZania"), an educational theme park for children. At the Allianz establishment in KidZania, children are introduced to insurance through role play as an insurance agent, where they learn about the importance of having insurance protection. More than 38,000 children visited the Allianz establishment in KidZania, amounting to 18% of KidZania's total visitors in 2016 and putting it amongst the top 10 establishments in the theme park.

Allianz also leveraged on the KidZania sponsorship for the benefit of underprivileged children. During the year, we brought a total of 82 children and 13 accompanying chaperones from the CUED Speech Centre for hearing-impaired children and the Dignity for Children foundation to KidZania. The children were able to experience various occupations during their visit, which we hope will contribute towards their educational development.

Students from CUED Speech Centre for hearing-impaired children visited the Allianz establishment in KidZania

Allianz Group, Platinum Partner of FC Bayern Munich, has organised the Allianz Junior Football Camp ("AJFC") annually since 2009. Teenagers aged between 14 and 16 years from all over the world gather in Munich to get exclusive insights behind the professional world of football around FC Bayern Munich.

In 2016, Allianz successfully connected with more than 1,100 teenagers who participated in the AJFC Malaysia League held in Selangor, Malacca, Pahang, and Penang. The League was introduced in response to the lack of opportunity for teenagers to play competitive football in a structured environment. Thirteen teenagers were selected to take part in AJFC Asia, held in Bali, where they joined young footballers from six countries to train and compete for a spot in the AJFC camp in Munich. Three outstanding Malaysians were selected for this once-in-a-lifetime opportunity to meet FC Bayern Munich footballers, train at the FC Bayern Munich Youth Academy under the guidance of FC Bayern Munich youth coaches, and to make new friends from around the world. The trip also included a visit to the FC Bayern Museum, sightseeing around Munich, and intercultural exchange amongst the teenagers. In 2016, 80 teenagers from 30 countries participated in the camp.

Young footballers from 30 countries attended the Allianz Junior Football Camp 2016 in Munich

The AJFC was created with two objectives in mind - to support aspiring footballers to grow, pursue their passion, and achieve their dreams in football, and to promote healthy living through sport. The number of participants has increased steadily every year since its Malaysian launch in 2012, and the local selection process, run in a league format since 2015, is becoming recognised as a premier youth football competition in the country. We are proud to be a springboard for the development of our young Malaysian athletes.

Challenging Malaysians to Live a Healthy Lifestyle

For the second year in a row, we organised our very own Allianz Pacer Run, a natural extension to our Allianz Pacer Running Community launched in 2013. The aim of the running community is to inspire more people to start running as a way of staying active and looking after their well-being. In this instalment of the Allianz Pacer Run, over 30% of the 5,000 runners were Allianz customers, and we are glad to have this informal avenue for them to engage with us. This year, all registration fees collected from the Corporate Challenge category were channelled to the Malaysian Council for Rehabilitation, a non-profit organisation that offers rehabilitation support for PWDs.

Allianz Pacer runners were not dampened by the rain, with over 5,000 people participating

We also sponsored the Allianz Pacesetters 4x3km Run where 271 teams of four runners each participated to raise money for the Kiwanis Down Syndrome Foundation.

Another of Allianz's initiatives to promote a healthy lifestyle was the Dare2bHealthy campaign, a Facebook-driven campaign challenging Malaysians to attempt their healthy resolutions. The 24-day campaign attracted more than 200 entrants who pledged to revive their resolutions, get out of their comfort zone, and start living a healthier lifestyle. Of these 200, three finalists were selected to fulfil their resolutions with the support of Allianz. The finalists had to document their respective journeys over a half year period, and their videos garnered over 100,000 views, with related content creating over a million social media impressions on 733,685 people.

By utilising the reach of social media, Allianz aims to inspire everyday Malaysians to live extraordinary, courageous lives.

Zurina, one of the Dare2bHealthy finalists, attempted to run 8km in 60 minutes at the 2016 Allianz Pacer Run

ENVIRONMENTAL MANAGEMENT

As a business that deals with risk, managing our environmental impact has always been important to us. Globally, Allianz Group adopts a Climate Change Strategy that commits us to minimising our own carbon footprint and supporting the development of a low-carbon economy. Thanks to global efforts in environmental management and investments that allow us to offset our emissions, Allianz has been a carbon-neutral company since 2012.

Managing our Environmental Footprint

Since 2006, we have adopted a Group-wide Environmental Management System ("EMS") that tracks our CO_2 emissions. These figures are reported annually to Allianz Group, enabling us to monitor our emissions, identify areas for improvement, and also support Allianz Group's calculations to offset our carbon emissions, as part of helping Allianz Group remain a carbon-neutral company.

In 2016, the CO_2 emissions calculation methodology in the EMS was revised so that the previous scope of waste, water, and energy has been refined. All figures for the previous years have been restated according to the new methodology.

The current scope of the EMS includes energy used to operate buildings and IT equipment, business travel (by air, car and train), and paper use. The allocation of our emissions in 2016 is illustrated in **Diagram 20** below.

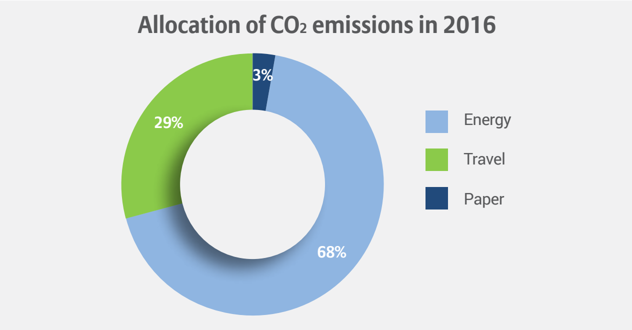


Diagram 20: Allocation of CO_2 emissions in 2016

Previously, Allianz Group set the target of a 35% reduction in CO_2 emissions by 2015 against a 2010 benchmark, surpassing the target by recording a 43.3% reduction.

We are anticipating new targets to be set by the Allianz Group which will be benchmarked against our 2010 emissions, and while we have recorded a 2.8% reduction from 2015, our emissions are still 1% above the 2010 figure. This is illustrated in **Diagram 21** below. We hope that our initiatives in digitalisation, as discussed in the ***Technological Innovation*** section, as well as those described in the following sections, will contribute towards our CO_2 emissions reduction.

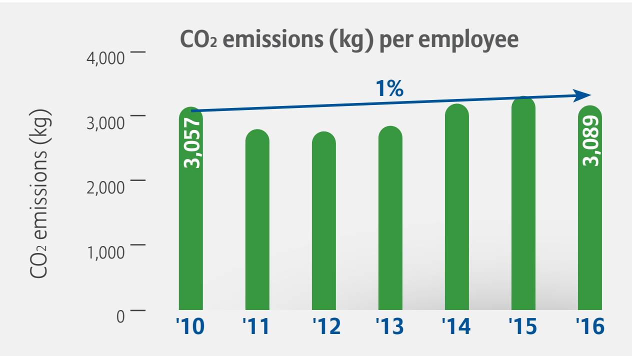


Diagram 21: CO_2 emissions per employee 2010-2016

Apart from just monitoring these EMS metrics, we have been able to identify opportunities for improving our performance. Energy-saving fittings are prioritised in all branch office renovations. Whenever air-conditioning units need to be installed or replaced, we use an energy-efficient and environmentally-friendly option which does not contribute to ozone depletion. We have also procured green-certified carpeting and office chairs for use in all our offices nationwide.

Sustainable Transport

Since 2016, we have leased three electric vehicles to be used as part of Allianz's company vehicle fleet. These vehicles can be used by our Klang Valley employees for business purposes in place of conventional vehicles. The purpose of these vehicles is two-fold – firstly, as a cost and energy efficient means of travel for our employees, and secondly, as a way to familiarise our employees and agents with electric vehicles, which will undoubtedly become more prominent – at least from a business perspective – in future. According to a report from our leasing company, Cohesive Mobility Solution ("COMOS"), the 8,414.2 km travelled by our electric vehicles in 2016 amounted to the avoidance of 1,952.08 kg of CO_2 emissions from a conventional vehicle.

The use of Allianz's electric vehicles in place of conventional ones amounted to the avoidance of almost 2,000 kg of CO_2 emissions in 2016

We have also signed a Memorandum of Understanding with COMOS and partners to provide mobility among participating university students via UNiRIDE, a carsharing programme currently available on selected campuses in Klang Valley. The cars used are categorised as Energy Efficient Vehicles, and Allianz provides insurance coverage for the fleet. This programme reduces the need for students to own a car, thus providing better accessibility for them in an affordable and environmentally-friendly manner.

The UNiRIDE carsharing programme is a cost and energy efficient way for students to travel

In 2016, we updated our travel policy to place emphasis not just on the cost-factor when making travel arrangements, but also on the carbon efficiency of the transport option. Employees are encouraged to avoid or reduce travel where possible, for example by using audio, web, or video-conferencing instead. Otherwise, employees must opt for the most carbon-efficient means of transportation available at acceptable financial cost.

SUSTAINABILITY REPORT

Responsible Corporate Citizen

Allianz's Sustainable Practices

Allianz promotes the usage of audio and video conferencing in place of business travel, where possible. In 2016, we recorded an increase of 37.63% in our audio conferencing requests, while the accumulated distance required for business travel reduced by 7.84%.

Year	Audio conferencing usage (number of requests)	Business travel by air (km)
2015	186	1,027,953
2016	256	947,345

Sustainable Paper Consumption

Regarding our paper use, we have sourced a FSC (Forest Stewardship Council) Mix A4 paper for printing use in our head office and Klang Valley branches since mid-2016. The FSC Mix label means that the wood within the paper is from FSC-certified material, recycled material, or controlled wood, and not from an illegal or unsustainable source. We have been unable to roll this out to our other branch offices due to the difficulties of obtaining FSC paper at a local level, and the inefficiency of central sourcing would outweigh the potential gains from ensuring 100% FSC paper use. However, we continue to explore ways that we can convert more of our paper usage to FSC paper, and intend to use FSC Mix paper for our pre-printed forms commencing 2017.

On top of sourcing more sustainable paper, we are also taking steps to improve our performance at the other end of the paper lifecycle by managing our paper waste. We have placed paper recycling bins at our head office since 2012, and have been able to source secure paper waste recycling options for selected branch offices. In 2016, we recycled a total of 8,197 kg paper nationwide, excluding the amount collected on Environment Day as discussed in ***Pillar 4: Environment*** of this section.

We are also working to reduce the total amount of paper required in our daily business. 2016 saw an 11.2% decrease in our paper usage, from 168,986 kg in 2015 to 150,075 kg. We have and continue to implement various digitalisation projects that aim to reduce the number of physical documents required across our processes. Through the electronic tools for our agents, the increase of automated processes, the use of mobile apps, and our capacity to offer our products online, we are able to replace a significant amount of physical documents with electronic forms, which has directly contributed to a decrease in the printing and supply amount.

By using the Imagine App sales tool, we reduced the printing of three specific forms related to customer fact-finding, policy application, and change requests. The reduction in number of printed forms ordered can be seen in **Table 7**.

Table 7: Printed forms impacted by e-form implementation

	2014	2015	2016
Number of Printed forms (sheets)	213,461	530,452	182,952

Giving New Life to the Old

At the end of the life cycle of our desktops and laptops, we assess the usability of the computers before making a decision as to whether the computer is either disposed of responsibly by our third party vendors, or whether we are able to repurpose the computers for use by non-profit organisations or schools. Similarly, when we replaced a large number of our office chairs last year, we also assessed the usability of the old office chairs, offering adequate ones to non-profit organisations and social organisations for their own use. The exercise is still on-going, and is intended to extend the utility of used but still useful items.

A Gift from Upcycling

At Allianz, we promoted the reuse and repurposing of items by upcycling our old advertising banners. These were made into large grocery bags, which were given out to shareholders during our Annual General Meeting.

Old Allianz advertising banners made out of tarpaulin were recycled into grocery bags

“A company as big and as respected as Allianz must 100% be for sustainability and environmental management - not just within its operations but in setting an example for others to follow. Environmental stewardship falls on all of us as our obligation, and corporations especially need to step up to this responsibility.”

Tan Sri Razali Bin Ismail
Chairman, Independent Non-Executive Director

Care and Protection

Allianz Road Rangers hits the streets

Ensuring that customers experience an easy, seamless journey when making an accident claim with seven touch points

- **24-hour** Accident Call Centre (1800-88-6278)
- 20 bike brigadiers as **First Response Unit**
- Fleet of 15 exclusively-branded **state-of-the-art tow trucks** will be on scene to assist the customer every step of the way
- **Allianz Claims Concierge** in major police stations
- **Ride sharing services** from accident site to home (up to RM20 per ride)
- **Allianz Motor ODX claims**, a straight through process that approves claims from anywhere between 10 minutes to an hour
- Repaired vehicle **delivered to customer**

***Applicable in Klang Valley only.**


Allianz Road Rangers
BPA 8901

RECOGNITION OF ALLIANZ MALAYSIA BERHAD'S COMMITMENT TO BEST PRACTICES IN CORPORATE GOVERNANCE

Allianz Malaysia Berhad received the Merit Award for Corporate Governance Disclosures at the Minority Shareholder Watchdog Group Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016

The Board of Directors ("Board") of Allianz Malaysia Berhad ("Company") believes that strong corporate governance ("CG") is fundamental to build a responsible organisation and deliver long term sustainable value to the shareholders and various stakeholders of the Company and its subsidiaries (collectively referred to as "Group").

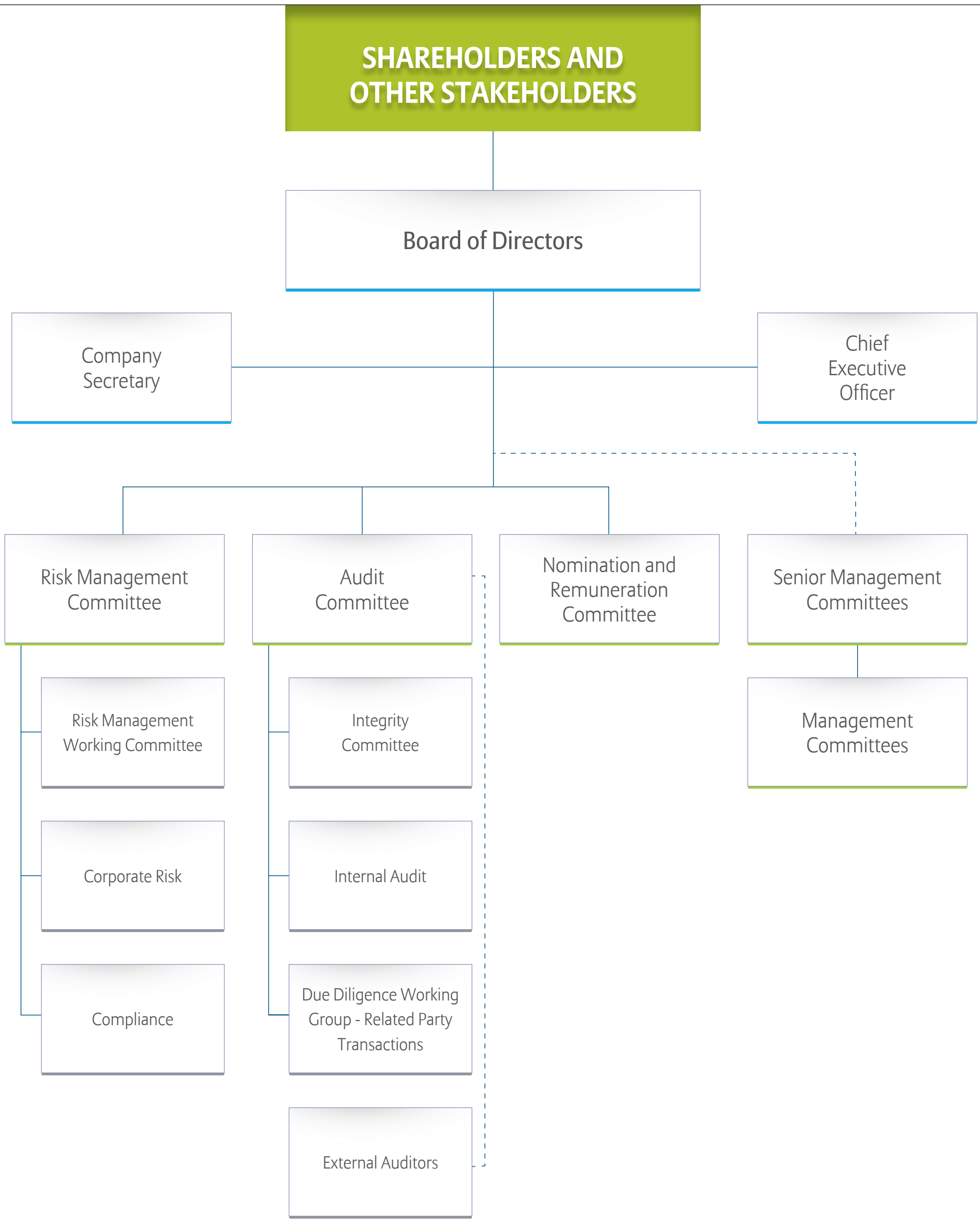
The Board and the Management of the Group are mindful that CG is a continuing journey and it could only be implemented effectively with full commitment and support from all levels of staff in the Group. With this in mind, constant review and awareness building on the Group's CG practices are undertaken to ensure that such practices remain robust and relevant and the fundamental principles of CG are embedded into the corporate culture of the Group.

This Statement demonstrates the commitment of the Board and the Management of the Group in ensuring that the highest standards of CG are practiced throughout the Group.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 1 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

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



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

Board Committees

The Board in the course of carrying out its duties may set up Board Committees delegated with specific authority and operating on the terms of reference as approved by the Board, to assist the Board in the execution of its responsibilities. These Board Committees shall have the authority to examine particular issues and report back to the Board with their recommendations. Although specific authority is delegated to the Board Committees, the ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

Three Board Committees namely Audit Committee, Risk Management Committee and Nomination and Remuneration Committee were established to assist the Board on specific areas of responsibilities as described in their respective Board Committees' terms of reference. The insurance subsidiaries have formally used the services of these Board Committees since 1 January 2008.

The respective Chairmen of the Board Committees will report to the Board on issues, views and recommendations raised by the respective Board Committees.

The composition of the respective Board Committees can be found in page 103 of this Statement, the Nomination and Remuneration Committee Report and Audit Committee Report of this Annual Report.

Where to find
Terms of Reference of Board Committees?

The Terms of Reference of the respective Board Committees are incorporated in the Board Charter, which is available at allianz.com.my/About us/Corporate-profile/Corporate governance/Board Charter

Management Authority Limit

The Board has established authority limit guidelines ("Authority Limit Guidelines") detailing matters specifically reserved for the Board's decision and those delegated to the Board Committees and the Management and the parameters in relation thereto. The operational authority limits delegated to the Management incorporates segregation of duties and checks and balances in delegation of authority.

The Authority Limit Guidelines set out the responsibility and the approval limits for each party and are made available to all Directors and accessible by staff via the Group's staff e-portal. The Authority Limit Guidelines are regularly reviewed and updated to accommodate changes in the scope and activities of the Company's business and operations. The Board approves the Authority Limit Guidelines and any changes thereto.

Senior Management Committees comprising Senior Management is set up at operating entities level within the Group and chaired by the Chief Executive Officer of the respective companies. Various Management Committees are established by the respective Senior Management Committees with specific terms of reference, to assist in managing the day-to-day operations of the Group and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor the performance of the Group and ensure that activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the respective Boards of the Group.

Directors are accountable to the shareholders and therefore should use their 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 in discharging its fiduciary and leadership functions, assumes, among others, the following responsibilities:-

- Reviewing and approving strategic plan

  The Board plays an active role in the Group's strategic direction, providing advice to Management and monitors the development of the Group's strategies.

  In 2016, the Management started its strategy planning process in June to formulate a 4-year business plan for 2017 to 2020 with detailed strategies, financial projection and key performance indicators ("Business Plan"). The Business Plan was presented to the Board for deliberation and approval in November 2016.

  The Board deliberated on the Business Plan, its execution and challenges faced, among others, challenges faced by the insurance subsidiaries which may have impact on the dividend income of the Company, and approved the Business Plan in November 2016.

  The Board will review the status of the Business Plan and its delivery on a quarterly basis.

STATEMENT ON CORPORATE GOVERNANCE

- Overseeing the conduct of the business to ensure that the business is properly managed towards achieving the Group's corporate objectives

  The Chief Executive Officer is supported by the Senior Management and Management Committees in discharging the day-to-day management of the business and operations of the Group.

  To ensure effective oversight of the business and operations of the Group, the Chief Executive Officer of the Company who is also the Country Manager of Allianz in Malaysia and Chief Executive Officer of the general insurance subsidiary, receives the monthly management report from both insurance subsidiaries. On a quarterly basis, he reports to the Board on the development of the Group's business and operations, progress of key initiatives, challenges faced and remedial action plan as well as industry trends and developments, whilst the Chief Financial Officer will report to the Board on the financial performance against the key performance indicators set by the Board and significant financial highlights.

  The Chief Executive Officer and Chief Financial Officer address queries raised by the Board during the Board Meeting and if required, the Management team of the insurance subsidiaries attend the Meeting to provide clarification and updates with regard to their areas of responsibilities.

- Identifying key business risks, determining the risk appetite and ensuring the implementation of appropriate systems to manage risks within established risk-tolerance limits

  The Board has entrusted the Risk Management Committee with the responsibility of providing oversight on risk governance of the Group. The Risk Management Committee is responsible for driving the risk management framework of the Group. The Risk Management Committee meet quarterly to review the risk status of the Group including impact of emerging risks and evaluate whether the current risk management framework remains effective for controlling risk taking activities of the Group and in line with the Group's risk appetite and business environment.

  The Risk Management Committee reports its observation on a quarterly basis to the Board.

  The risk management framework of the Group is detailed on page 102 of this Statement.

- Succession planning, including the appointment, training, remuneration and performance review of Senior Management

  The Nomination and Remuneration Committee is responsible to oversee the selection, performance, remuneration and succession plans of the Board, Chief Executive Officer and key responsible persons of the Group who are accountable or responsible for the management and oversight of the respective companies within the Group (hereinafter collectively referred to as "Key Responsible Persons").

  The Nomination and Remuneration Committee reports to the Board on its observations and recommendations with regard to new appointments, performance and remuneration of the Directors and Key Responsible Persons.

  Details of the activities carried out by the Nomination and Remuneration Committee are reported in the Nomination and Remuneration Committee Report of this Annual Report.

- Ensuring the adequacy and integrity of the internal control and management information systems, including systems for monitoring compliance with applicable laws, regulations, rules, directives and guidelines.

  The Board is fully committed to ensure that effective risk management and internal control systems are in place within the Group and continuously review the adequacy and integrity of these systems.

  The key processes for reviewing the adequacy and integrity of risk management and internal controls of the Group are detailed in the Statement on Risk Management and Internal Control of this Annual Report.

- Overseeing the development and implementation of a shareholder communications policy

  The Group's internal and external communications are guided by the Allianz Group's communication guidelines and the requirements of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

  All announcements released by the Company to Bursa Securities are reviewed by the Chief Executive Officer, Chief Financial Officer and Company Secretary of the Company and approved by the Board. All internal and external communications including press release are approved by the Chief Executive Officer and disseminated by the Corporate Communications Department to the relevant stakeholders.

  Please refer to the Board Charter for detailed responsibilities of the Board. The responsibilities of the Board as stipulated in the Board Charter are also applicable to the subsidiaries of the Company.

Board Professionalism

Code of Conduct

The Directors' Code of Ethics is formulated based on the Code of Ethics for Directors established by the Companies Commission of Malaysia and in line with the Code of Ethics for the Financial Services Industry developed by the Financial Services Professional Board. It aims to enhance the standard of corporate governance and corporate behaviour based on principles in relation to integrity, fairness, confidentiality, and objectivity. The detailed Code of Ethics for Directors is set out in the Board Charter.

The Board has also adopted the Allianz Group Code of Conduct for Business Ethics and Compliance ("Allianz Group Code of Conduct"). The Allianz Group Code of Conduct sets the minimum standards for the conduct of all employees, managers and Executive Directors, which covers the areas among others, fair and regulatory conduct of business, non-discrimination, protection of client data/information, insider trading, potential conflicts of interest, complaints management, financial reporting, no corruption or bribery, acceptance and granting of gifts and other benefits, prevention of money laundering and financing of terrorism, ethical conduct of business and whistleblowing. The Allianz Group Code of Conduct is attached to the Board Charter.

Conflicts of Interest

In ensuring that the decision making process is transparent and to the best interest of the Company, 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 Company, any circumstances that may give rise to a conflict of interest situation during the course of carrying out their duties.

The Directors are required to make a declaration at the Board Meeting in the event that they have interests in the proposals or subject matters being considered by the Board, including where such interest arises through close family members, in line with the requirements on disclosure of Director's interest. A Director who has a direct or deemed interest in a subject matter presented at the Board/Board Committees Meeting shall abstain from deliberation and voting on the said subject matter. The minutes of meeting would also reflect as such.

In the event a corporate proposal is required to be approved by the shareholders, interested Directors are required to abstain from voting in respect of their shareholdings in the Company on the resolutions relating to the corporate proposal, they are also required to undertake to ensure that persons connected to them, abstain from voting on the resolutions.

The Audit Committee regularly review the disclosures of the directorships and shareholdings held by Directors and persons connected with them.

Insider Trading

Directors and Senior Management of the Group ("Affected Parties") are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced. In addition, Affected Parties are prohibited from dealing in the securities of the Company during closed period which commences 30 calendar days before the targeted date of announcement of the Company's quarterly results to Bursa Securities up to the date of the announcement.

In ensuring that the Affected Parties complied with the above trading requirements, notices with regard to the closed period for trading in the Company's securities are issued by the Company Secretary to the Affected Parties at least 7 days prior to the commencement of the closed periods. The notices also set out the circumstances and procedures that need to be followed if the Affected Parties who are not in possession of price-sensitive information wish to engage in dealing in the Company's securities during the closed periods.

The Affected Parties who wish to deal in the securities of the Company outside closed period must give a notice of dealing to the Company Secretary within 3 market days after the dealing has occurred and the Company Secretary must immediately announce such notice to Bursa Securities.

In 2016, none of the Directors dealt in the Company's securities during the closed periods.

Disclosure of Interest

Directors are required to disclose changes in their interest including their directorships to the Company Secretary within 5 days from the changes, such disclosure will be circulated to the Board members within 7 days upon receipt and tabled at the Audit Committee and Board Meetings for information and record. Such changes will be immediately updated in the related party listing of the Group.

Fit and Proper Requirements

All Directors must fulfill the criteria of "a fit and proper person" for their appointment as Directors as prescribed under the Financial Services Act 2013 ("FSA") and the Bank Negara Malaysia's Guidelines on Fit and Proper for Key Responsible Persons. In addition, the Group has in place a Fit and Proper Policy and Procedures for Key Responsible Persons to assess the fitness and propriety of the Key Responsible Persons including Directors. The Group also adopted the Allianz SE Group Fit and Proper Policy to safeguard a high Fit and Proper standard across Allianz SE and its subsidiaries for Senior Management and key function members.

All Directors as well as Key Responsible Persons are required to make an annual declaration that they fulfill the minimum criteria of "a fit and proper person" as prescribed in Sections 60 of the FSA. Such declarations are tabled at the Nomination and Remuneration Commitee for review prior to the same being presented to the Board.

Strategies of Promoting Sustainability

The Board views sustainable development as an integral part of securing the long term viability of the Group. The Group takes a proactive approach to sustainability through the incorporation of sustainable practices into its operations, by engaging with society via its corporate responsibility initiatives, through consistent review and improvements in its governance structures, as well as by taking actions to reduce its environmental footprint.

In an effort to further enhance and strengthen the Group's approach to sustainability, an external sustainability advisory team has been engaged to review the current approach and make recommendations for improvement to the Board.

The progress of the Group's activities and initiatives for the year 2016 are detailed in the Sustainability Report which forms part of this Annual Report.

Independent Professional Advice

The Directors, in carrying out their duties, may seek independent professional advice at the Company's expense, should the need arises. Professional advisers, consultants, auditors and solicitors appointed by the Company to advise on corporate proposals are invited to the Board Meetings to brief the Board on their advices and opinions as well as to address issues that of concern to the Directors.

If a Director considers the professional independent advice is necessary, he/she shall first discuss the intention with the Chairman and with the permission of the Chairman, bring the request to the Board for consideration. The reason for seeking independent professional advice and the proposed cost involved should be presented to the Board for approval and the Director concerned may proceed once the Board's approval is obtained.

STATEMENT ON CORPORATE GOVERNANCE

Supply of Information

The Directors have direct access to the advice and services of the Company Secretary. The Company Secretary works closely with the Management to ensure that there are timely and appropriate information flows to the Board and Board Committees, and between the Non-Executive Directors and the Management.

All Directors have direct access to the Senior Management and have unrestricted access to all information and documents relevant to the business and affairs of the Group. The Board may invite any employees to be in attendance of Board Meetings to assist in its deliberations.

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 Board Meetings. The agenda together with the minutes of Board Meeting and meeting papers are send electronically to the Board 2 weeks prior to each Board Meeting in order to accord sufficient time for the Directors to review and consider issues to be discussed at the Board Meetings. Urgent matters may be tabled for the Board's deliberation under a supplemental agenda. The meeting papers are prepared in accordance with a prescribed format by the Company Secretarial Department, aims to provide clear, comprehensive and concise information to the Board to facilitate their deliberation and decision making. The minimum information provided to the Board on proposals to be deliberated includes objective, background, proposals, rationale as well as financial and non-financial impact of the proposals for the Board to make informed and effective decisions.

In the effort to reduce the carbon footprint, the Company had moved towards electronic Board and Board Committee papers since 2011. The e-meeting papers are uploaded to a secured server designated specifically for the Directors where Directors are able to access the e-meeting papers in a timely manner and at any time.

Key matters reserved for Board's approval include, among others, the quarterly financial results, audited financial statements, annual business plan, strategies and budget, declaration of dividend, significant transactions or expenditures, related party transactions, restructuring, appointment of Director and Chairman/Member of Board Committees, appointment of Chief Executive Officer and Key Responsible Persons, remuneration for Directors, Chief Executive Officer and Key Responsible Persons.

In addition, a special chat group has also been set up specifically for the Directors and Chief Executive Officer, where information could be shared amongst Directors in a timely and efficient manner.

The Company has also implemented conference call and video conferencing facilities to enable Directors who are unable to attend meeting in person, to also participate in Board/Board Committee meetings.

In between Board Meetings, the Board is informed or updated, on important issues and/or major development of matters discussed in the Board Meetings, by the Management and/or the Company Secretary. Briefing will be arranged on important issues that require the Board's urgent attention.

In addition to matters which require the Board's approval, the Board is consistently being informed and updated on matters in relation to business operations, financial and business reviews and development, Group strategy, information on business proposition including market share, industry development, corporate proposals, risk management review, regulation updates, compliance, customer focus initiatives and other operational efficiency projects. The Board is also informed of the decision and significant issues deliberated by the Board Committees via the reporting of the Chairman of the respective Board Committees and the minutes of the Board Committees tabled at the Board Meetings.

Company Secretary

The Company Secretary is qualified to act as company secretary under Section 235(2) of the Companies Act 2016. The Company Secretary is an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA).

The Company Secretary plays an advisory role to the Board in relation to the Company's constitution, policies and procedures and compliance with the relevant regulatory requirements, guidance and legislations as well as the principle of best corporate governance practices. The Directors are regularly updated by the Company Secretary on the new or changes made to the relevant regulatory requirements, more particularly on areas relating to the duties and responsibilities and disclosure requirements of the Directors.

The profile of the Company Secretary is set out in the Senior Management Team's Profile of this Annual Report.

The Company Secretary undertakes, inter-alia, the following functions:-

(a) Responsible for advising the Directors of their duties and responsibilities and obligations to disclose their interest in securities, prohibition on dealing of securities during the closed period, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related party transaction as well as disclosure of necessary information as required under the relevant legislations;
(b) Preparing the agenda with the Chairman and Chief Executive Officer and notifying all Directors of Board Meetings;
(c) Attends all Board and Board Committee Meetings and ensures that all Meetings are properly convened and proceedings of the Board and Board Committee Meetings and decisions thereof are properly recorded, communicating decisions of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee Meetings;
(d) Providing full access and services to the Board;
(e) Assisting the Board with interpreting legal and regulatory acts related to the Malaysian Code on Corporate Governance 2012 ("Code"), Listing Requirements and other related regulations and developments;
(f) Advising the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis;
(g) Handling Company share transactions and other duties as prescribed under the relevant legislations;
(h) Notifying the Chairman of any possible violations of legal and regulatory acts;

(i) Ensuring the appointment of new Directors, re-appointment and resignation of Directors are in accordance with the relevant legislations;
(j) Ensuring execution of assessment for Directors and the Board/ Board Committees;
(k) Briefing new Directors on organisational structure of the Company and procedures that regulate the operations of the Board;
(l) Ensuring availability of information required by new Directors for the proper discharge of their duties;
(m) Assisting the Board and Chairman on the implementation of the Code;
(n) Monitoring compliance with the principles and recommendations of the Code and informing the Board of any breaches; and
(o) Ensuring high standard of governance by keeping abreast of the latest enhancement in corporate governance and changes in the legal and regulatory framework.

The Company Secretary constantly keeps herself abreast of the regulatory changes and developments in sustainability and corporate governance through continuous training. The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging her functions.

Board Charter

The Board has established a Board Charter which encompasses, among others, the Board's role, duties, responsibilities, powers, code of conduct, division of responsibilities and powers between the Board and Management and between the Chairman and the Chief Executive Officer, 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.

Where to find
Board Charter?

Group's website at allianz.com.my/About us/ corporate-profile/corporate governance/Board Charter

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

Amendments were made to the Board Charter to reflect the composition and terms of reference of the new Nomination and Remuneration Committee.

PRINCIPLE 2 STRENGTHEN COMPOSITION

Nomination and Remuneration Committee

The Nomination and Remuneration Committee of the Company consists of 5 members, all of whom are Independent Non-Executive Directors.

The primary objectives of the Nomination and Remuneration Committee are:-

(a) to establish a documented formal and transparent procedure for the appointment and removals of Directors, Chief Executive Officers and Key Responsible Persons of the Group;
(b) to assess the effectiveness of individual Director, the respective Boards (including various committees of the Board), Chief Executive Officers and Key Responsible Persons of the Group on an on-going basis;
(c) to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officers and Key Responsible Persons; and
(d) to ensure that the compensation is competitive and consistent with the culture, objective and strategy of the Group.

The Board acknowledged the recommendation of the Code that a Senior Independent Director should chair the nomination committee. Nevertheless, the Board having deliberated on the need of appointing a Senior Independent Director, concluded that such appointment is not required at this juncture on the reason that the current Board comprises of high proportion of Independent Non-Executive Directors with good working relationship.

Details of activities carried out by the Nomination and Remuneration Committee can be found in the Nomination and Remuneration Committee Report of this Annual Report.

Diversity

The Group recognises the important of a diverse workforce and abides by the principle of non-discrimination at the workplace based on age, disability, gender, race, religion, political preference and support diversity by recruiting according to skills, knowledge, experience, talents and ability rather than based on gender, race and ethnicity.

STATEMENT ON CORPORATE GOVERNANCE

The Board recognises the importance of having a diverse Board in terms of experience, skills, competence, ethnicity, gender, culture and age. A diverse Board facilitates optimal decision making by harnessing different insights, perspectives, experience and exposure.

The Board's commitment to diversity permeates throughout all levels of the organisation including the appointment of candidate to the Board.

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

Directors' Remuneration

Following the issuance of the Directors' Remuneration Report 2015 by the Financial Institutions Directors' Education Forum ("FIDE Remuneration Report") on 7 December 2015, the Remuneration Committee had in 2016 reviewed the recommendations of the FIDE Remuneration Report and recommended a proposed 3-year step up plan (2016 to 2018) for Directors' remuneration, based on the following rationales:-

(a) to ensure competitiveness of Board remuneration. The proposed increase will enable the Directors' remuneration to be in line with that recommended by the FIDE Remuneration Report and commensurate with the responsibilities and risks assumed by the Directors; and
(b) to retain Directors. The current Boards of the Company and its insurance subsidiaries are made up of creditable and highly professional Directors, with all of them having good reputation and extensive experience locally and globally in their areas of expertise.

The Board adopted a remuneration policy for Directors which sets out that Directors' remuneration shall be determined based on the following criteria:-

- overall performance of the Group (only applicable to Executive Directors);
- level of responsibility;
- expertise;
- complexity of the Company's activities; and
- attendance at meetings.

Individual Directors shall abstain from discussion of their own remuneration.

Procedure

The Nomination and Remuneration Committee recommends to the Board the remuneration to be paid to each Director based on the remuneration policy as approved by the Board. It is nevertheless the ultimate responsibility of the entire Board to decide the quantum for each Director.

Disclosure

The composition of the remuneration for the Non-Executive Directors (who are not representing the interest of the major shareholders) are as follows:-

(a) annual fixed fees ("Directors' Fees"); and
(b) allowances and benefits.

Directors' Fees

Directors' Fees are made up of the following components:-

(a) 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 responsibilites assumed by the Chairman.

(b) 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.

Meeting Allowance

For 2016, the meeting allowance of RM2,000 was paid for each Board/Board Committee Meeting attended by the Directors. Based on the proposed Directors' remuneration 3-year step up plan (2016 to 2018), the meeting allowance will be increased to RM2,300 in 2017.

Meeting allowance is also paid to Directors in the following occasions:-

(a) when the Director is representing the Group to attend meeting with the authorities; and
(b) when the Director is invited to attend meeting or briefing organised by the Management of the Group.

The above Directors' Fees and meeting allowance are only applicable to the Non-Executive Directors who are not representing the interest of the major shareholders. The Executive Directors are not entitled to the Directors' Fees and meeting allowance.

The Directors' Fees, allowances and benefits payable to the Chairman and Non-Executive Directors of the Company and its insurance subsidiaries will be tabled for the shareholders' approval at the 43rd Annual General Meeting of the Company pursuant to Section 230 (1) (b) of the Companies Act, 2016.

The Executive Directors received remuneration based on their respective executive positions held in the Company. The remuneration package of the Executive Directors comprising fixed component which includes monthly salary and other emolument and variable component that is linked to Company's performance and their individual key performance indicators. The Board has established a remuneration policy for the Key Responsible Persons (including the Chief Executive Officer 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.

In addition to the above, the Company also provides the following insurance covers for the Directors:-

(a) personal accident insurance and medical insurance; and

(b) Directors' and Officers' liability insurance against any liability arising from acts committed in their capacity as Directors/Officers of the Company. However, the Director shall not be indemnified if he/she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his/her duty of trust.

The Directors' remuneration (excluding 6% Goods and Services Tax) for the financial year ended 31 December 2016, is detailed below:-

(a) The aggregate remuneration of Directors, distinguishing between Executive and Non-Executive Directors, according to their respective categories.

Categories of Remuneration	Group RM'000	Company RM'000
Executive Directors		
Salaries and other emoluments[1]	1,541	234
Bonus	2,015	252
Benefits (including estimated monetary value of benefits-in-kind)	36	7
Total	3,592	493
Non-Executive Directors		
Fees	1,967	628
Other emoluments[1]	680	208
Benefits (including estimated monetary value of benefits-in-kind)	25	-
Total	2,672	836

Note:-

1. Other emoluments comprise the contribution to Employees' Provident Fund, Chairman's allowances and meeting allowances which vary from one Director to another, depending on the number of Board Committees they sit on and the number of meetings attended during the year.

STATEMENT ON CORPORATE GOVERNANCE

(b) The number of Directors whose total remuneration falls into each successive band of RM50,000.

	Number of Directors*	
Band	Group	Company
Executive Directors		
Below RM1,000,000	1	2
RM1,000,000 and above	1	-
Non-Executive Directors		
RM100,001 – RM200,000	-	5
RM200,001 – RM300,000	-	-
RM300,001 – RM400,000	1	-
RM400,001 – RM500,000	2	-
RM500,001 – RM600,000	1	-
RM600,001 – RM700,000	-	-
RM700,001 – RM800,000	-	-
RM800,001 – RM900,000	1	-

Note:-

* Breakdown of the aggregate remuneration of the Directors for financial year 2016 is set out below:-

	Salaries and Other emoluments (RM'000)	Fees (RM'000)	Other emoluments (RM'000)	Bonus (RM'000)	Benefit-in-Kind (RM'000)	Total (RM'000)
COMPANY						
Executive Directors						
Zakri Bin Mohd Khir	145	-	-	196	3	344
Ong Eng Chow	89	-	-	56	4	149
Non-Executive Directors						
Tan Sri Razali Bin Ismail	-	140	36	-	-	176
Foo San Kan	-	125	54	-	-	179
Dato' Dr Thillainathan A/L Ramasamy	-	122	42	-	-	164
Tan Sri Datuk (Dr.) Rafiah Binti Salim	-	124	44	-	-	168
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	-	117	32	-	-	149
TOTAL	**234**	**628**	**208**	**252**	**7**	**1,329**
GROUP						
Executive Directors						
Zakri Bin Mohd Khir	1,452	-	-	1,959	32	3,443
Ong Eng Chow	89	-	-	56	4	149
Non-Executive Directors						
Tan Sri Razali Bin Ismail	-	438	398	-	25	861
Foo San Kan	-	419	82	-	-	501
Dato' Dr Thillainathan A/L Ramasamy	-	393	70	-	-	463
Tan Sri Datuk (Dr.) Rafiah Binti Salim	-	406	76	-	-	482
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	-	311	54	-	-	365
TOTAL	**1,541**	**1,967**	**680**	**2,015**	**61**	**6,264**

PRINCIPLE 3 REINFORCE INDEPENDENCE

Independent Non-Executive Directors

An Independent Non-Executive Director is a Director who is independent of management and free from any business or other relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company.

The primary responsibility of Independent Non-Executive Directors is to protect the interest of minority shareholders and other stakeholders. The effective participation of Independent Non-Executive Directors serves to promote greater accountability and balance in the Board's decision-making process.

The responsibilities of an Independent Non-Executive Directors, among others, include the following:-

(a) to enhance the independence and objectivity of the Board's deliberations from the executive arm of the Company;
(b) to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;
(c) to constructively challenge and contribute to the development of strategies for the Company;
(d) to ensure that the Board uses adequate systems and controls to safeguard the interests of the Company;
(e) to provide the 'check and balance' function to the Board; and
(f) to monitor and provide an objective view on the performance of Executive Directors and Management in meeting the agreed goals and objectives.

Independent Non-Executive Directors made up more than half of the Board members. By virtue of their roles and responsibilities as prescribed by Bank Negara Malaysia and Bursa Securities, they are in effect, representing the interest of the minority shareholders of the Company. The Independent Non-Executive Directors play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, so that no single party can dominate such decision-making in the Company.

The Board is chaired by an Independent Non-Executive Director who does not represent the interest of the controlling shareholder. The Chairman and the Independent Non-Executive Directors do not engage in the day-to-day management of the Company or participate in any business dealings with the Group, do not have any equity interest in the Company or its related corporation and do not have any relationship with the substantial shareholders that could materially interfere their exercise of independent judgment.

The Independent Non-Executive Directors engage proactively with the Management, the Risk Management, Compliance and Human Resource functions and with both the external and internal auditors via their respective roles as the Chairman or members of the Board Committees, to ensure that concerns and issues relevant to the Management and oversight of the business and operations of the Group are properly addressed.

The Board, through the Nomination and Remuneration Committee, evaluated the independence of the Independent Non-Executive Directors using the assessment criteria as approved by the Board taking into account, among others, the Independent Non-Executive Directors' contribution, ability to display independent judgment in the boardroom, family relationship, contractual relationship, shareholding in the Group and financial links with other Directors or shareholders of the Group.

Assessment of independence of the Independent Non-Executive Directors will be conducted annually, upon admission of Independent Non-Executive Director and more frequently when a change in position or relationship warrants it or when any new interest or relationship develops.

Tenure of Independent Non-Executive Directors

The Group adopted the policy in relation to the appointment of Independent Directors where the tenure of the Independent Directors was set for a maximum period of 9 years, in line with the recommendation of the Code.

An Independent Non-Executive Director who has served the Board for a consecutive service of more than 9 years may continue to serve on the Board but in the capacity of a Non-Independent Non-Executive Director.

As at the date of this Statement, save for Foo San Kan, none of the Independent Non-Executive Directors of the Company has served for a cumulative term of 9 years. The tenure of the Independent Non-Executive Directors as at 29 March 2017 are as follows:-

Directors	No. of years of tenure
Tan Sri Razali Bin Ismail	8 years 1 month
Foo San Kan	11 years 4 months
Dato' Dr. Thillainathan A/L Ramasamy	5 years 9 months
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4 years 4 months
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	2 years 4 months

Foo San Kan, the Independent Non-Executive Director of the Company, who has served for more than 9 years, was approved by the shareholders at the 42nd Annual General Meeting to continue to serve as an Independent Non-Executive Director until the conclusion of the 43rd Annual General Meeting.

During the financial year 2016, Foo San Kan was re-designated from an Independent Non-Executive Director to a Non-Independent Non-Executive Director in the insurance subsidiaries of the Company following Bank Negara Malaysia's approval that he could only be re-appointed as a Non-Independent Non-Executive Director in the insurance subsidiaries. Bank Negara Malaysia's such approval is in line with the requirement of the Corporate Governance Policy issued by Bank Negara Malaysia on 3 August 2016 that the tenure limit for an Independent Non-Executive Director should generally not be more than 9 years.

In order to regularise Foo San Kan's designation across all companies within the Group, Foo San Kan will be re-designated as a Non-Independent Non-Executive Director of the Company after the conclusion of the 43rd Annual General Meeting.

No shareholders' approval will be sought at the forthcoming Annual General Meeting to retain Independent Non-Executive Director who has served the Board for more than 9 years.

Segregation of Powers

The Chairman plays a crucial leadership and pivotal role in ensuring that the Board works effectively. The Chief Executive Officer oversees the execution of the Group's strategy and is responsible for the day-to-day running of the business. There is a clear division of roles and responsibilities between the Chairman and the Chief Executive Officer of the Company

STATEMENT ON CORPORATE GOVERNANCE

to ensure an appropriate balance of power, increased accountability, enhanced independence in decision making and that no one individual has unfettered decision making power.

The Chief Executive Officer, who is also a Non-Independent Executive Director of the Company, is the nephew of the Chairman, given the sensitivity of this family relationship, the Chairman has abstained from voting on matter related personally to the Chief Executive Officer and vice versa. Additionally, the Chairman does not involve in any operational decision and does not have any veto power on Board decisions.

The role and responsibilities of the Chairman and Chief Executive Officer are detailed in the Board Charter which is available on the Group's website .

The Board comprises 2 Executive Directors and a strong presence of 5 Independent Non-Executive Directors. The present composition of the Board is in compliance with paragraph 15.02 of the Listing Requirements.

Size and composition of the Board are appropriate and well balanced to cater for the interest of the majority and minority shareholders as well as the business of the Company. Membership of the Board is drawn from various fields with a balance of skills and experiences appropriate to the business of the Company. All Directors are persons of high caliber, integrity and possessed the skills, knowledge and experience in their respective fields and hence enable the Board to discharge its responsibilities in an effective and competent manner.

The Executive Directors are nominees of the Company's Holding Company and represent the Management of the Company. The Executive Directors provide business insights to the Board and formulate business strategies and plan and accountable for business performance of the Group.

The Nomination and Remuneration Committee performs an annual review of the composition of the Board in terms of the appropriate size and mix of skills, balance between Executive, Non-Executive and Independent Non-Executive Directors as well as diversity including gender diversity and other core competencies required ("Composition Mix") to ensure that Composition Mix is appropriate and relevant to the business of the Company.

BOARD COMPOSITION

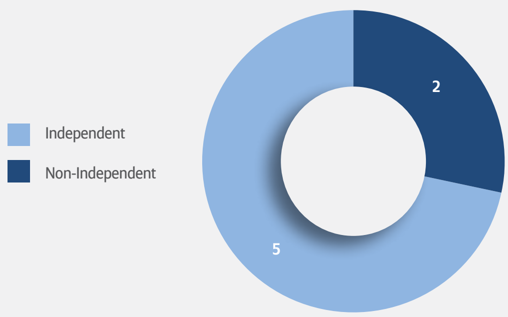
1 **Independent Non-Executive Chairman**
Tan Sri Razali Bin Ismail

4 **Independent Non-Executive Director**
Foo San Kan
Dato' Dr. Thillainathan A/L Ramasamy
Tan Sri Datuk (Dr.) Rafiah Binti Salim
Tunku Zain Al-Abidin Ibni Tuanku Muhriz

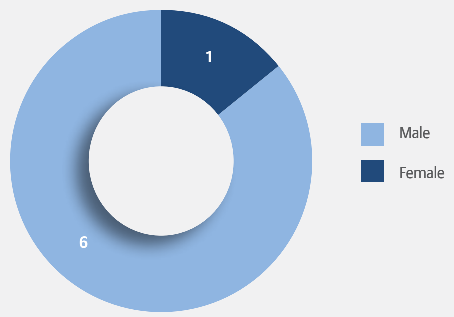
2 **Non-Independent Executive Director**
Zakri Bin Mohd Khir
Ong Eng Chow

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

Composition

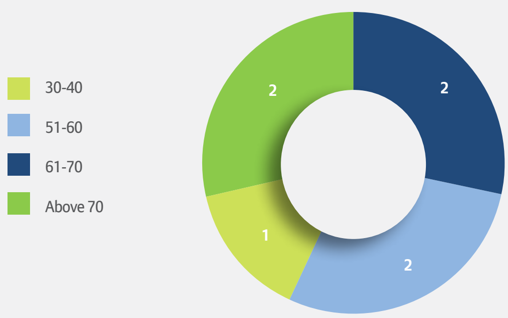


Gender

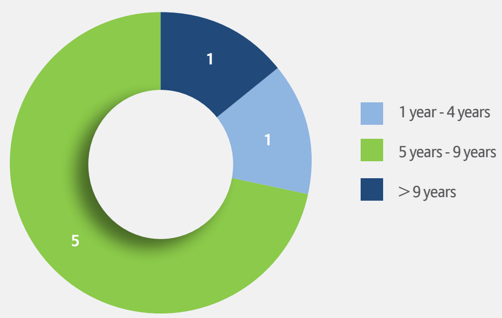


BOARD INFORMATION

Age Group of Directors



Length of Service



PRINCIPLE 4 FOSTER COMMITMENT

The Board believes that all Directors should devote sufficient time to carry out their responsibilities effectively in the Company.

Although the Board has not set a maximum number of directorship in public listed companies that a Director may hold, it is guided by the maximum directorships requirement of Bursa Securities that a Director must not hold more than 5 directorships in public listed companies.

The Board understands that individual circumstances and capacity for each Director may be different and therefore, it is advisable for the Director to personally determine the work demands and commitment of his or her new directorship and how much time required to serve each Board.

In order not to compromise the time commitment of the Directors, the Board has set a protocol that prior to the acceptance of any new directorship, Director should notify the Board and give assurance that the new appointment shall not affect their time commitment in the Company.

The Company Secretary monitors the number of directorships held by each Director and advises the Board on new appointments. The Company Secretary obtained declaration from the Directors of their directorships and shareholdings in other companies on half yearly basis. Such declaration will be tabled at the Audit Committee and Board Meetings scheduled in February and August of each year as confirmation of their compliance with the Listing Requirements on directorship and serves as an indication of time commitment devoted to serve the Company. Additionally, based on the declaration, the related party listing of the Group will be updated accordingly.

In line with the directorship requirements of Bursa Securities, all Directors hold not more than 5 directorships in public listed companies. The Directors' number of directorship in public listed companies (including the Company) is set out below:-

Directors	No. of directorship in public listed companies
Tan Sri Razali Bin Ismail	3
Foo San Kan	2
Dato' Dr. Thillainathan A/L Ramasamy	2
Tan Sri Datuk (Dr.) Rafiah Binti Salim	3
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	2
Zakri Bin Mohd Khir	1
Ong Eng Chow	1

Board Meetings

Attendance of Directors at Board/Board Committee Meetings demonstrates the level of commitment of Directors.

Board Meetings for each year are scheduled in advance prior to the end of the year and circulated to Directors and Senior Management before the beginning of each year to accord sufficient time for the Directors to plan their meeting schedule. The Board meets regularly at least 5 times in a year. Additional Board Meetings may be held as and when required to discuss matters or proposals which require the Board's urgent decision.

All Directors have attended at least 80% of Board Meetings held in the year of 2016. The Board is satisfied with the level of commitment of Directors rendered in 2016.

The Directors' meeting attendance during the financial year ended 31 December 2016 is as follows:-

Director	Board	Audit Committee	Risk Management Committee	Nominating Committee*	Remuneration Committee*	Annual General Meeting
	Number of Meetings Held in 2016					
	6	**5**	**4**	**5**	**2**	**1**
	Number of Meetings Attended in 2016					
Tan Sri Razali Bin Ismail	6	5	-	4	2	1
Foo San Kan	6	5	4	5	2	1
Dato' Dr. Thillainathan A/L Ramasamy	6	5	4	5	-	1
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	5	4	5	2	1
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	6	-	4	5	-	1
Zakri Bin Mohd Khir	6	-	-	-	-	1
Ong Eng Chow	6	-	-	-	-	1

Note:-
* The Nominating Committee and Remuneration Committee was combined and renamed as Nomination and Remuneration Committee with effect from 1 January 2017.

The quorum of the Board Meeting is two members. All matters that are to be decided upon and approved by the Board shall be put to vote and passed by a majority of vote and in case of any equality of votes, the Chairman of the Meeting shall have a casting vote.

Board resolution passed by way of circular resolution is practiced sparingly by the Board although it is permitted under the Company's Articles of Association. Briefing on the proposal to be passed by way of circular resolution will be arranged to facilitate decision making by the Directors.

STATEMENT ON CORPORATE GOVERNANCE

Directors' Training

Induction for New Directors

The Nomination and Remuneration Committee oversees the training needs of the Directors. All new Directors are required to attend the orientation programme to familiarise themselves with the Group's organisation structure, business and the insurance industry.

A formalised orientation programme has been developed and the relevant Heads of Departments/Divisions will brief the new members of the Board on the functions and areas of responsibility of their respective departments/divisions.

The orientation programme serves to provide the new Directors with a platform in establishing effective channel of communication and interaction with Senior Management as well as to ensure that they understand:-

(a) their roles and responsibilities;
(b) the nature of the Group's business;
(c) overview of risks on the Group's business and the risk management strategy;
(d) legal requirements and compliance controls; and
(e) overview of financial health of the Group.

All Directors appointed to the Board are required to complete the Mandatory Accreditation Programme ("MAP") as prescribed under the Listing Requirements within 4 months from the date of appointment. The Director is also encouraged to attend the Financial Institutions Directors' Education ("FIDE") Programme developed by Bank Negara Malaysia and Perbadanan Insurans Deposit Malaysia ("PIDM") in collaboration with the International Centre for Leadership in Finance.

Continuous Development Programme for all Directors

The Board via the Nomination and Remuneration Committee continuously evaluates the training needs of its Directors. In order to keep the Directors abreast with the dynamic and complex business environment as well as new statutory and regulatory requirements, a budget for Directors' trainings is therefore provided each year by the Company and the Board has approved the following areas of training for the Directors:-

- Laws and regulations imposed by the relevant authorities and any updates in respect thereto.
- Risk management and compliance controls.
- Finance, accounting and insurance related requirements.
- Corporate governance.
- Business related subjects of the Group.

In addition, the general insurance subsidiary of the Company is a registered corporate member of the FIDE Forum, which was established with the aim of allowing FIDE alumni members to become leading influencers of governance practices and thought leaders within financial institutions, and to benefit from, among others, the roundtree discussions, and industry update sessions and materials provided by subject matter specialists. For further details on FIDE Forum, please refer to fide.org.my.

The Company Secretary regularly keeps Directors informed of relevant external training courses organised internal training programme for Directors and facilitates the enrollment of Director to external training programmes. A complete record of trainings, conferences and seminars attended by the Directors as participants or speakers is maintained by the Company Secretary.

The training programmes, seminars and conferences attended by the Directors during the financial year ended 31 December 2016 are as follows:-

Tan Sri Razali Bin Ismail	• MFRS 9, Financial Instruments by KPMG • First Distinguished Board Leadership Series – "Cyber-Risk Oversight" by Mr David Leach • Bank Negara Malaysia Annual Report 2015/Financial Stability and Payments Systems Report 2015 Briefing Session • National Conference on Sustainability, Climate Change & Corporate Social Responsibility "The Sustainable Development Goals, and Role of Business: Impact on Society" – How Business Can Cope with Climate Change – Impact on Business (as moderator) • Intensive Course in Insurance - Fundamentals of Insurance
Foo San Kan	• FIDE FORUM Special Invite – A Dialogue on "The New and Revised Auditor Reporting Standards: Implications to Financial Institutions" • Special Invitation to Industry Briefing on the Directors Register Implementation • Economic and Financial Services Sector: Trends and Challenges Moving Forward for the Insurance and Takaful Industries • MFRS 9, Financial Instruments by KPMG • First Distinguished Board Leadership Series: "Cyber-Risk Oversight" by Mr David Leach. • Bank Negara Malaysia – FIDE FORUM Dialogue with the Governor: "Economic and Financial Services Sector: Trends and Challenges Moving Forward"

Foo San Kan (continued)	• FIDE FORUM Dialogue on Directors and Officers Liability Insurance: Are Directors Sufficiently Protected for Exercising Their Fiduciary Duty by Jardine Lloyd Thompson Malaysia • Bank Negara Malaysia – FIDE FORUM Dialogue with Deputy Governor on the Corporate Governance Concept Paper. • National Marketing Convention • Sustainability Engagement Series – Customised Programmes for Directors/Chief Executive Officer of Listed Issuers. • "Global Economic and Financial Market Outlook" by Allianz SE Chief Economist Professor Michael Heise • FIDE FORUM – FinTech: Business Opportunity or Disruptor by Markus Gnirck and Veiverne Yuen • Intensive Course in Insurance – Fundamentals of Insurance, Reinsurance and Directors and Officers Liability Insurance. • General Insurance Financial Condition Acumen – 2016 by JPWall Consulting Partners • Companies Bill 2015 – A Guide for Directors by Ong Eu Jin of Lee Hishammuddin Allen Gledhill • Companies Act 2016 by Wong & Partners
Dato' Dr. Thillainathan A/L Ramasamy	• Economic and Financial Services Sector: Trends and Challenges Moving Forward for the Insurance and Takaful Industries • MFRS 9, Financial Instruments by KPMG • Global Emerging Markets Programme Conference 2016 • Bank Negara Malaysia Annual Report 2015/Financial Stability and Payments Systems Report 2015 Briefing Session • Bank Negara Malaysia-FIDE FORUM Dialogue with the Governor: "Economic and Financial Services Sector: Trends and Challenges Moving Forward" • Training on 2015 Companies Bill by Wong & Partners • National Marketing Convention • Sustainability Engagement Series – Customised Programmes for Directors/Chief Executive Officers of Listed Issuers • Dialogue/Review Session Securities Commission of Malaysia's New Corporate Governance Code for Public Consultation • "Global Economic and Financial Market Outlook" by Allianz SE Chief Economist Professor Michael Heise. • Star Power Talk Business Series Power Talk by Top Glove Founder & Chairman Tan Sri Lim Wee Chai. • Intensive Course in Insurance – Fundamentals of Insurance, Reinsurance & Directors and Officers Liability Insurance • General Insurance Financial Condition Acumen – 2016 by JPWall Consulting Partners • Creador 2016 Annual Investor Conference on Private Equity • London School of Economics and Political Science Insights Talk by Professor Paul Kelly on "After BREXIT: Britain, Europe and the World" • Directors Briefing & Training by Public Bank Group Personnel on Public Investment Bank Berhad Business, Audit & Compliance matters • Directors Training on Risk Management by Public Bank Group's Chief Risk Officer & Director • Companies Act 2016 by Wong & Partners
Tan Sri Datuk (Dr.) Rafiah Binti Salim	• MFRS 9, Financial Instruments by KPMG • Sustainability Engagement Series – Customised Programmes for Directors/Chief Executive Officer of Listed Issuers • Malaysian Directors Academy PowerTalk Series : What Will Distinguish the Great Boards of Tomorrow?" • FIDE FORUM 3rd Distinguished Board Leadership Series – "Effective Board Evaluation" by Ms Beverly Behan • Intensive Course in Insurance – Fundamentals of Insurance, Reinsurance & Directors and Officers Liability Insurance • General Insurance Financial Condition Acumen – 2016 by JPWall Consulting Partners • FIDE Forum's Directors Register. "Identify the Right Board Talent" • Future Finance Conference • Companies Act 2016 by Wong & Partners • Constitutional Law Lecture Series – "Reclaiming our Federal Constitution – Preserve, Protect & Defend"

STATEMENT ON CORPORATE GOVERNANCE

Tunku Zain Al-Abidin Ibni Tuanku Muhriz	• MFRS 9, Financial Instruments by KPMG • Bank Negara Malaysia – FIDE FORUM Dialogue with the Governor: "Economic and Financial Services Sector: Trends and Challenges Moving Forward" • Sustainability Engagement Series – Customised Programmes for Directors/Chief Executive Officer of Listed Issuers • National Marketing Convention • Implementation of FIDE FORUM's Directors Register • Intensive Course in Insurance – Fundamentals of Insurance, Reinsurance & Directors and Officers Liability Insurance • General Insurance Financial Condition Acumen – 2016 by JPWall Consulting Partners • Seminar on 2016 Budget and Tax update, Goods and Services Tax and Transfer Pricing • Companies Act 2016 by Wong & Partners • Inaugural Conference of the Jeffrey Sachs Centre on Sustainable Development
Zakri Bin Mohd Khir	• MFRS 9, Financial Instruments by KPMG • Bank Negara Malaysia Annual Report 2015/Financial Stability and Payments Systems Report 2015 Briefing Session • Discussion on the Insurance and Takaful Strategic Plan • Allianz International 2016 Conference • 6th Young Managers' Forum • Fellowship of The Malaysian Insurance Institute ("MII") – Caselet Writing Workshop • MII - Ethics in Business Workshop • General Insurance Financial Condition Acumen – 2016 by JPWall • Future Finance Conference
Ong Eng Chow	• Sustainability Engagement Series – Workshops Customised for Chief Financial Officers/Chief Sustainability Officers • Bank Negara Malaysia Annual Report 2015/Financial Stability and Payments Systems Report 2015 Briefing Session • "Global Economic and Financial Market Outlook" by Allianz SE Chief Economist Professor Michael Heise • Advocacy Session on Management Discussion & Analysis for Chief Executive Officer and Chief Financial Officer of Listed Issuer • Allianz Asia Pacific Finance Conference

The Nomination and Remuneration Committee having reviewed the trainings attended by the Directors during the year 2016 was satisfied with the training programmes/courses attended by the Directors for year 2016.

PRINCIPLE 5 UPHOLD INTEGRITY IN FINANCIAL REPORTING

Financial Reporting

In presenting the annual financial statements, quarterly reports and the annual report to the shareholders, the Board takes appropriate steps to present a clear and balanced assessment of the Group's financial position, performance and prospects. This also applies to other public announcements released by the Company in accordance with the Listing Requirements as well as reports submitted to regulators.

Prior to presenting the financial statements of the Group to the Board for approval, the financial statements will be reviewed by the Audit Committee. The Audit Committee assists the Board in reviewing information to be disclosed in the financial statements to ensure that information disclosed is accurate, adequate and in compliance with the various disclosure requirements imposed by the relevant authorities and applicable financial reporting standards. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group.

The Statement of Directors' Responsibility in relation to Financial Statements is presented on page 110 of this Annual Report.

External Auditors

The Board and the Audit Committee place great emphasis on the objectivity and independence of the Group's External Auditors.

Where to find
Policy on Audit and Non-Audit Services Provided by External Auditors?

Group's website at allianz.com.my/About us/corporate-profile/corporate governance

STATEMENT ON CORPORATE GOVERNANCE

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

The Policy sets forth the procedures with respect to the engagement of the External Auditors to perform audit, audit-related and non-audit services for the Group. The Policy also stipulates the guidance on audit and non-audit services that may be undertaken by the External Auditors as well as the prohibited services that may not be provided by the External Auditors and the criteria and approval procedures in dealing with audit and non-audit services.

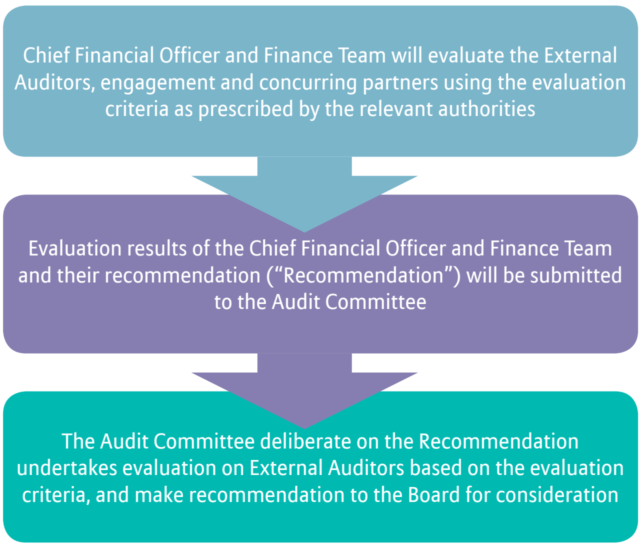
In compliance with the Bank Negara Malaysia's Guidelines on External Auditors, the Audit Committee is required to assess the qualifications, independence and performance of the External Auditors. The Audit Committee is also required to recommend to the Board on the proposed appointment of the engagement partner and the concurring partner. The Audit Committee also ensures that there is a rotation on the engagement partner and the concurring partner at least once every 5 years.

The appointment and re-appointment of the External Auditors, engagement partner and concurring partner will be reviewed by the Audit Committee and the recommendation from the Audit Committee will be presented to the Board for consideration prior to the same being presented to the shareholders for approval.

Areas of assessment include among others, the level of knowledge, capabilities, experience and quality of previous work, level of engagement, ability to perform the audit work within the agreed timeframe, adequacy in audit coverage, effectiveness in planning and conduct of audit, ability to provide constructive observations and independence.

The Audit Committee also reviews the non-audit services rendered by the External Auditors. The terms of engagement of the External Auditors for their audit and non-audit services rendered are reviewed by the Audit Committee and approved by the Board.

The process for appointment and re-appointment of the External Auditors, engagement partner and concurring partner are as follows:-



Through the Audit Committee, the Board has established a formal and appropriate relationship with the External Auditors. The Audit Committee meets with the External Auditors at least 2 times a year to review the audit plan, the audited financial statements and the audit observations. The Audit Committee also holds at least 2 private discussions with the External Auditors without the presence of the Management and Executive Directors, to allow External Auditors to freely express concerns, problems and reservations arising from financial audits. The External Auditors are also invited to attend the Annual General Meeting of the Company to address the concerns of the shareholders in relation to the audited financial statements of the Group.

Details of the activities of the Audit Committee in relation to the External Auditors are described in the Audit Committee Report of this Annual Report.

During the financial year ended 31 December 2016, with the recommendation of the Audit Committee, the respective Boards of the Group approved the below audit and non-audit fees:-

Audit Fees	**Group RM'000**	**Company RM'000**
Statutory Audit Fees	827	159
Non-Audit Fees	**Subsidiaries RM'000**	**Company RM'000**
• review of interim financial information for the period ended 30 September 2016 for the general insurance subsidiary (by KPMG PLT)	53	-
• other regulatory related fee (PIDM agreed-upon procedures) for the insurance subsidiaries (by KPMG PLT)	16	-
• review of Statement on Risk Management and Internal Control (by KPMG PLT)	-	10
• terminal audit with regard to the proposed member's voluntary winding up of a dormant subsidiary (by KPMG PLT)	12	-
• advisory services in relation to sustainability reporting (by a firm affiliated to KPMG PLT)	-	160

The total non-audit fees of the Group for the financial year 2016 was amounting to RM251,000.

STATEMENT ON CORPORATE GOVERNANCE

PRINCIPLE 6 RECOGNISE AND MANAGE RISK

Risk Governance

The Risk Management Committee is responsible for driving the risk management framework of the Group and to report to the Boards of the respective companies within the Group on its recommendations and/or decisions.

Risk Management Framework

The Board recognises the importance of internal controls and risk management in sustaining its business activities and strives to make it an essential component of the Group's business culture. The Group is committed to manage risks in line with the defined Risk Strategy and Risk Appetite through a systematic framework which identifies, analyses, assesses and manages risks that potentially have a material impact on the value of the Group or potentially hinder the Group in achieving its stated business objectives and goals in a consistent manner across the Group.

The objectives of the risk management framework are as follows:-

(a) To establish a clear risk management policy for the organisation;
(b) To have an integrated and coordinated risk management procedures across the entire organisation;
(c) To identify and prioritise key risks and controls in the organisation;
(d) To allocate and optimise the use of resources in managing risks effectively;
(e) To take proactive actions to manage potential risks;
(f) To maximise opportunities to achieve corporate vision;
(g) To inculcate an effective risk management culture throughout the organisation through the use of an appropriate risk management methodology;
(h) To comply with policies, procedures, guidelines, laws and regulations;
(i) To formalise and define the risk management operating structure and key lines of responsibility for risk management throughout the organisation; and
(j) To enable a transparent system of information and communication for risk management between operation functions, Management and Board.

Risk Governance Structure

As one key element of the risk management framework, the risk governance approach is designed to ensure that the risk profile remains consistent with the risk strategy and the capacity to bear risks.

The risk governance structure is defined top-down with the highest oversight function being performed by the Board, specifically the Risk Management Committee. The Board assumes 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 risk management framework including all Group policies is subject to the approval of the Board.

Composition of Risk Management Committee as at 29 March 2017

1. **Dato' Dr. Thillainathan A/L Ramasamy**
   Chairman, Independent Non-Executive Director
2. **Foo San Kan**
   Independent Non-Executive Director
3. **Tan Sri Datuk (Dr.) Rafiah Binti Salim**
   Independent Non-Executive Director
4. **Tunku Zain Al-Abidin Ibni Tuanku Muhriz**
   Independent Non-Executive Director
5. **Goh Ching Yin**
   Independent Non-Executive Director of insurance subsidiaries

Following the issuance of the Corporate Governance Policy by Bank Negara Malaysia, the Nomination and Remuneration Committee undertook a review on the composition of Risk Management Committee and recommended that the composition of the Risk Management Committee be revised to as follows ("Revised RMC Composition"):-

Revised RMC Composition

1. **Goh Ching Yin**
   Chairman, Independent Non-Executive Director of insurance subsidiaries
2. **Dato' Dr. Thillainathan A/L Ramasamy**
   Independent Non-Executive Director
3. **Foo San Kan**
   Independent Non-Executive Director
4. **Tan Sri Datuk (Dr.) Rafiah Binti Salim**
   Independent Non-Executive Director
5. **Tunku Zain Al-Abidin Ibni Tuanku Muhriz**
   Independent Non-Executive Director

The Board reviewed the Revised RMC Composition and approved the Revised RMC Composition with effect from 1 April 2017.

The Risk Management Committee 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 Risk Management Committee drives the risk management framework of the Group and report to the Board on its recommendations and/or decisions. Through structured reporting from Risk Management Working Committee ("RMWC"), the Risk Management Committee consolidates the status of the risks and presents them to the Board for consideration.

The RMWC is established at the management level and serves as a platform for two way communications between the Management and the Board on matters of the organisation's risk strategy and management.

An independent Risk Management Function ("RMF") headed by the Chief Risk Officer implements the approved risk management framework within the Group and to ensure adherence to the requirements stipulated by the various regulatory bodies.

The Internal Audit Function complements the RMF in the implementation of the Group's risk management by performing independent assessment to ensure that the policies are adhered to and their relevant procedures and processes are effectively practised and continually updated to reflect the change in environment and technology according to approved standard operating process.

The Legal and Compliance Functions identify and assess any legal, compliance and fraud risk that the Group may be exposed to. They also roll out and/or cascade any compliance related initiatives/requirements from the regulators and Allianz SE Group.

At the operating level, the Heads of Divisions/Departments/Operating Units are responsible for the validity and accuracy of the risks and mitigation actions for which they are appointed as risk owners. The risk owners shall be responsible for the implementation of risk management activities including risk mitigation plan within their respective unit/department/division or project.

Risk Strategy and Risk Appetite

The Risk Strategy defined the tolerance of risk at the desired level of confidence, in relation to clearly defined risk and performance criteria. The Risk Appetite is defined to cover:-

- All material risks;
- Allowing for breakdown of Risk Appetite; and
- Taking into account requirements imposed by the regulators as well as the protection of both policyholder obligations and shareholder net asset value.

The Risk Strategy will also define the core elements of the Group's risk appetite namely target rating of top risks, capital adequacy, earning volatility, liquidity, as well as operational, strategic and reputational exposures that might cause significant loss to the Group.

The objective of this Risk Strategy document is to set the Group's risk appetite, which is meant to guide the Management in:-

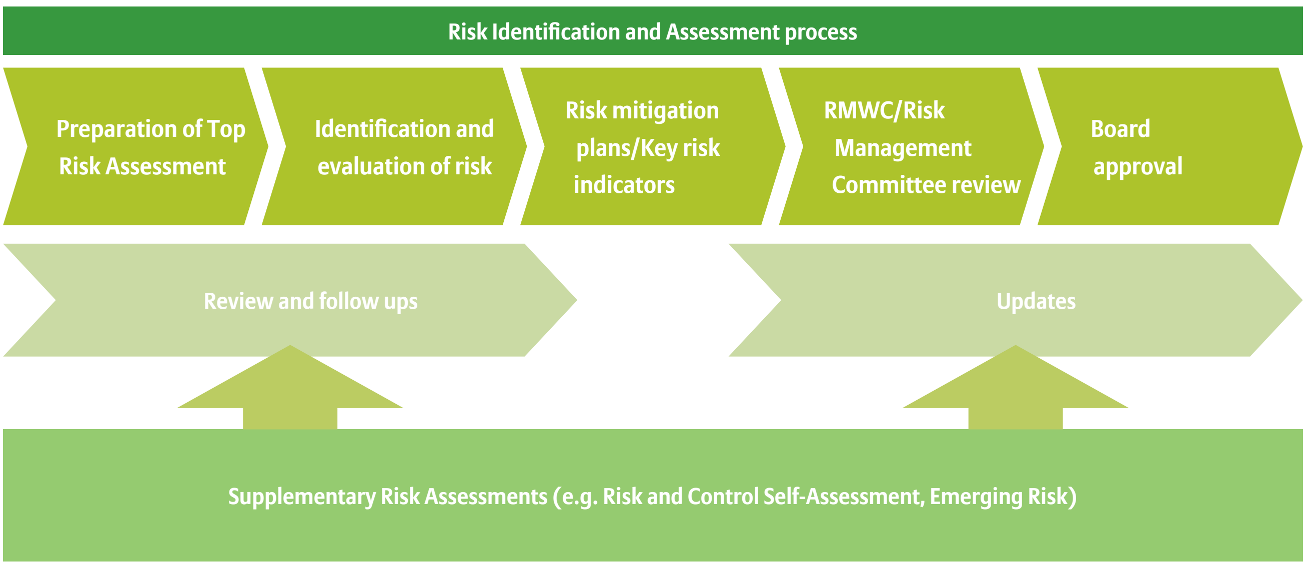
- Making risk-taking a conscious consideration in running the business;
- Protecting the Group from unexpected adverse events, while minimising the Group's capital requirements; and
- Optimising return on equity by optimising capital requirements.

The Risk Strategy and Risk Appetite are reviewed and approved by the Board on an annual basis.

Risk Management Process

Risk management is considered and managed as part of the daily process of managing and directing the business. The risk management process is integrated with core management processes of the business so that it can make value-added contributions to establishing sustainable competitive advantage and improving business performance. These include the implementation of a limit system and various frameworks, manual 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 RMF together with the respective risk owners:-



STATEMENT ON CORPORATE GOVERNANCE

(a) 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 Risk Management Committee 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	Broad 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.	• Investment activity is strictly governed by the pre-approved 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.	• 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.
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.	• 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.	• 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.	• 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.

(b) 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:-

- The Risk and Control Self-Assessment;
- Analysis of actual loss events reported into the Loss Data Capture database;
- Periodic audits by the Internal Audit Department and reviews by RMF; and
- Other key indicators and feedback from subject matter experts (e.g. Business Continuity Management Officers, Anti-Fraud and Anti-Corruption Coordinators).

(c) 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 Corporate Communications Function of the Group actively manage the reputational risk by assessing any potential risk arising from media press or any transaction relating to pre-defined sensitive areas. The Allianz Standard for Reputational Risk and Issues Management has been put in place to address the management of reputational risk and the methodology to assess reputational risk.

(d) 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.

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 Internal Capital Target 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.

As part of the monitoring, thresholds are identified with the respective capital management action plans to be executed once the thresholds are triggered.

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.

Whistleblowing Policy

The commercial activities of the Group are based upon trust of the Group's customers, shareholders, employees and general public. Therefore, it is important that any issues of illegal or questionable activities are reported to the Management for prompt investigation and intervening action.

The Group implemented the Whistleblowing Policies and Procedures ("Whistleblowing Policy") to address whistleblowing matters. The Whistleblowing Policy describes the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents by the employees and external party or any insurance intermediary. 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 any internal rules. All whistleblowing incidents in the Group are reviewed by the Integrity Committee and the findings are reported to Audit Committee.

For this purpose, employees of the Group may raise concerns or report anonymously or non-anonymously via the following channels:-

(a) Employee's direct line manager;
(b) Senior Management member of the Group;
(c) Internal Audit Department;
(d) Human Resources Division;
(e) Legal and Compliance Division;
(f) Audit Committee Members;
(g) The Group's Compliance Officer, Allianz SE Group Legal and Compliance and Allianz SE Singapore Branch Compliance; and
(h) The respective whistleblowing intranet portal of the Group, Allianz SE Group Compliance and Allianz SE Singapore Branch Compliance.

For Business Partners, they may report whistleblowing matters to the Compliance Officer at compliance.officer@allianz.com.my.

STATEMENT ON CORPORATE GOVERNANCE

To raise awareness of the Whistleblowing Policy and avenues for reporting, Compliance Department had conducted the awareness programmes to the Group's employees on a periodic basis to ensure effective implementation of the Whistleblowing Policy while the adherence of the Whistleblowing Policy will be reviewed by Internal Audit Department based on their Internal Audit Programme.

In addition to Whistleblowing Policy, the Group has also in place an Anti-Fraud Policy. The Anti-Fraud Policy defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees.

All fraud cases are assessed confidentially by the Integrity Committee to determine the validity and appropriate actions to be taken; and the findings are reported to the Audit Committee.

Related Party Transactions

The Group complies with the requirements of Bank Negara Malaysia's Guidelines on Related Party Transactions (BNM/RH/GL 018-6) and the Listing Requirements in respect of its related party undertakings. Necessary disclosures are made to the Board and where required, prior approval of the Board and/or shareholders for the transactions are also obtained.

In line with Part E, Paragraph 10.09 of the Listing Requirements on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), the Company obtains the shareholders' mandate for the Group to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of the Company.

The Group has also established a review procedure for related party transactions including Recurrent Transactions ("RPT Review Procedure") to ensure that they are:-

(a) undertaken on arm's length basis;
(b) consistent with the Group's usual business practices and policies;
(c) the transaction prices and terms are not more favourable to the related parties than those extended to third parties/public; and
(d) are not to the detriment of the minority shareholders.

Under the RPT Review Procedure, a due diligence working group was formed to review the related party transactions/Recurrent Transactions prior to the same being submitted to the Audit Committee for consideration. The Audit Committee will subsequently review the related party transactions/Recurrent Transactions and the recommendation from the Due Diligence Working Group, and submits its recommendation to the Board for consideration. Any Director who has a direct or deemed interest in the related party transactions/Recurrent Transactions presented at the Audit Committee/Board Meeting will abstain from deliberation and voting on the said related party transactions/Recurrent Transactions. In respect of the Shareholders' Mandate which is required to be approved by shareholders, interested Directors are required to abstain from voting in respect of their shareholdings in the Company on the resolutions relating to them, and will further undertake to ensure that persons connected to them similarly abstain from voting on the resolutions.

The Audit Committee also reviews the RPT Review Procedure on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including Recurrent Transactions in a timely and orderly manner.

Internal Audit Function

The Board has established an internal audit function within the Group, which is led by the Head of Internal Audit who reports directly to the Audit Committee.

Details of the Internal Audit Function of the Group are set out in the Audit Committee Report of this Annual Report.

PRINCIPLE 7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

Communication with Shareholders/Investors

The Board acknowledges the need for shareholders and other stakeholders to be informed of all material information affecting the Group and is committed to maintain transparency and accountability to all of its shareholders and 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 in accordance with the requirements of the Listing Requirements, to enable them to make informed investment decisions.

The Board is mindful that material information affecting the Group must be announced immediately via Bursa Securities to the shareholders and investing public and that price sensitive information must be handled in a strictly confidential manner within the Group. Internal procedures have been put in place to ensure that material information released to the shareholders and investing public are accurate, comprehensive and not misleading and that price sensitive information are handled properly to avoid any leakage and improper use of such information by the relevant parties. In addition, the Board also stresses on equal dissemination of information to shareholders and stakeholders.

The Board is mindful that timely and easy accessibility to information are crucial for the shareholders and stakeholders to make informed decisions. The Group has leveraged on information technology to disseminate information where all levels of stakeholders are able to access information more effective and conveniently.

The Group disseminated information via the following avenues:-

(a) Quarterly Report

Information in respect of the Group's financial results, business review, future prospect, corporate exercises and other material information in relation to the development of the Group are disclosed in the Quarterly Report of the Group.

Immediately following the release of the Quarterly Report to Bursa Securities, a press release in respect thereto will be issued by the Group. The Quarterly Report, press release and analysts briefing presentation are subsequently published on the website of the Group.

(b) Audited Financial Statements and Annual Report

The Company's audited financial statements is released to Bursa Securities within 90 days from the financial year end and made available on the Group's website.

The Group's Annual Report provides a comprehensive report on, among others, the Group's audited financial statements, review of the operational and financial performance, business development and strategy, industry outlook and future prospects, corporate responsibility activities and sustainability development, risk management and internal control activities and corporate governance development.

Annual Reports are despatched to shareholders in CD ROM format and hard copy will be made available to shareholders upon request. It is also published on the website of the Group upon its issuance to the shareholders and release to Bursa Securities. The 2016 Annual Report will be despatched to shareholders in CD ROM format within 4 months from the close of the financial year end in compliance with the Listing Requirements.

(c) Corporate Announcements

Corporate announcements contain material information that may affect the interest of the shareholders and other announcements as may be required by the Listing Requirements will be released to Bursa Securities on a timely manner. Such announcements are also disseminated to Senior Management via email and made available on the website of the Group immediately after released to Bursa Securities.

(d) Investor Relations

The Senior Management comprising the Chief Executive Officer and Chief Financial Officer of the Group holds quarterly briefing for fund managers and research analysts to report on the quarterly performance, business development and progress of the Group. Such briefing is normally conducted on the next working day after the release of the Group's Quarterly Report to Bursa Securities.

The quarterly briefing also serves as a platform of dialogue between the fund managers and research analysts with the Senior Management of the Group, where the fund managers and research analysts are able to raise questions and seek clarification from the Senior Management on pertinent issues relating to the Group.

In order to ensure that shareholders and investing public have equal access of the presentation slides for the briefing, the presentation slides are published on the website of the Group immediately after the Group released its Quarterly Report to Bursa Securities.

In addition, the Senior Management also holds separate meetings with the potential investors and fund managers throughout the year to provide the overview of the operation and business prospects of the Group.

(e) Designated Person to handle Investor Relations

The Corporate Communications Department of the Group addresses enquiries from all stakeholders on corporate matters relating to the Group.

The personnel to be contacted in relation to investor relations matter is as follows:-

Joannica Dass
Head of Corporate Communications

Tel : 03-22640780
Fax : 03-22641186
E-mail : joannica.dass@allianz.com.my

(f) Press Releases

Press releases on corporate developments and initiatives are also issued by the Group to provide all stakeholders with the up-to-date information in respect of the Group.

Media meetings and interviews are also initiated to provide wider publicity and understanding of the Group's business activities and strategies.

(g) Website

allianz.com.my

The Group's website provides the avenue for all stakeholders to access information in relation to the Group, covering the areas of business products, services, corporate responsibility initiatives, announcements released to Bursa Securities, press releases, financial statements of the Company and its insurance subsidiaries, presentations made during the analyst briefings and Annual General Meeting as well as minutes of Annual General Meeting.

The Company continues to review and make improvements to its website to ensure that information are relevant, updated and easily accessible.

In addition, an enquiry tab is also provided on the website to enable visitors to make enquiries online.

(h) Social Media Platforms

- facebook.com/AllianzMalaysia
- linkedin.com/company/allianz-malaysia-berhad
- instagram.com/allianzmalaysia
- youtube.com/allianzmalaysia

The Group's social media platforms are other avenues for the Group to engage with all stakeholders in an interactive way. Through these platforms, latest information and updates of the Group are made available to all stakeholders. These avenues also allow customers or the general public to post their opinions, reviews, comments, suggestions and feedbacks to the Group.

The Chairman also encourages feedbacks from all stakeholders, he can be reached via his email address at razali.ismail@allianz.com.my.

PRINCIPLE 8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

Shareholders' Rights

In accordance with the Companies Act, 2016, the Company's shareholders exercise their decision-making powers at general meetings. Shareholders attend meetings in person or through an appointed proxy or authorised representative. Each ordinary share entitles the holder to one vote. The irredeemable convertible preference share ("ICPS") holders carry no voting right at any general meeting of the Company except for the following circumstances:-

(a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;
(b) on a proposal to wind-up the Company;
(c) during the winding-up of the Company;
(d) on a proposal that affect the rights attached to the ICPS;
(e) on a proposal to reduce the Company's share capital; or
(f) on a proposal for the disposal of the whole of the Company's property, business and undertaking.

Matters reserved for ordinary shareholders' approval at the Annual General Meeting include the following:-

- The adoption of audited financial statements.
- Distribution of final dividend, if any.
- The election and re-election of Directors.
- Payment of Directors' fees to Directors.
- Appointment/re-appointment of External Auditors.

Where to find
the Memorandum and Articles of Association?

Group's website at allianz.com.my/About us/corporate-profile/corporate governance/Memorandum and Articles of Association of Allianz Malaysia Berhad

The shareholders have the right, among others, to participate in amendments to the Company's Articles of Association, increase in paid-up capital, major mergers, acquisitions and divestments exercises, transfer of all or substantial assets.

The rights of the ordinary shareholders and the ICPS holders are detailed in the Company's Memorandum and Articles of Association.

Dividend Policy

The Board continuously strives to protect investors' capital and provide returns via dividends whilst striking a balance between the dividend payout and capital requirement of its insurance subsidiaries.

The dividends for the current and preceding financial years are set out in the Chairman's Statement of this Annual Report.

The dividend policy and procedures for the Group was set up to govern the required criteria for the payment of dividend and process of declaring dividend to shareholders.

The Company is an investment holding company and the dividend capacity of the Company is dependent on dividend stream from its insurance subsidiaries. Declaration of dividend of the insurance subsidiaries is driven by their regulatory solvency and subject to Bank Negara Malaysia's approval.

The Board will take into consideration the following criteria, among others, when proposing for declaration of dividend:-

(a) any dividends received from its insurance subsidiaries;
(b) availability of cash flow after retaining sufficient cash flow for its working capital; and
(c) meeting of all requirements of the Companies Act, 2016 in respect of payment of dividend.

The dividend payment for ICPS will depend on the dividend payment of the ordinary shares. No dividend shall be payable to ICPS holders if no dividend is declared for the ordinary share. The dividend rate for ICPS is 1.2 times of the dividend rate of the ordinary shares declared for the same financial year/period.

General Meetings

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

The Company encourages shareholders to submit their questions prior to the commencement of the Annual General Meeting. A questionnaire form is made available to shareholders or proxies during registration. Shareholders are also encouraged to place any additional questions they might have after the closure of Annual General Meeting at the enquiry box placed at the registration counter. The Company will response to the question within seven days from the date of the Annual General Meeting.

The notice of Annual General Meeting and the related circular to shareholders are despatched to shareholders at least 21 days prior to the Annual General Meeting in accordance with the Listing Requirements. In line with the global best practice, the notice of 43rd Annual General Meeting will be despatched to shareholders 28 days prior to the Annual General Meeting. The longer notice period will provide sufficient time for the shareholders to review the Group's financial and operational performance and to evaluate the resolutions tabled at the Annual General Meeting, as well as to enable the shareholders to make the necessary arrangement to attend the Annual General Meeting.

The notice of Annual General Meeting is also advertised in the local English newspaper, namely New Straits Times for the benefit of shareholders and was accompanied by explanatory notes on special business requiring shareholders' approval. The notice of 43rd Annual General Meeting will also be made available on the Group's website at allianz.com.my for easy access and the said notice will be accompanied by explanatory notes for each agenda item which requires shareholders' approval.

Administrative details for the Annual General Meeting ("Guide") aims to facilitate preparation of shareholders for present at the meeting, is distributed to shareholders together with the Annual Report. The Guide sets out information with regard to the Annual General Meeting, among others, location address and map, logistic and refreshment, registration details, entitlement to attend and vote, appointment of proxy, voting procedure and door gift entitlement.

A hotline is set-up specifically for the Annual General Meeting to address any enquiry from the shareholders.

E-voting

The Group has always made the necessary preparation for poll voting for all resolutions tabled at its Annual General Meeting including the appointment of an independent scrutineer in the event a poll is demanded.

In line with international best practice, voting on all resolutions tabled at the 42nd Annual General Meeting held on 25 May 2016 was conducted by poll, for the first time.

The poll was demanded by the Chairman during the 42nd Annual General Meeting. The shareholders or proxies were well briefed by the Poll Administrator and Scrutineers, Tricor Investor & Issuing House Services Sdn Bhd on the poll procedures. The poll was conducted in an orderly manner and the results of voting on each resolution were announced to the shareholders, with the Chairman declared whether the resolutions were carried. The results of voting were subsequently announced to Bursa Securities and published on the Group's website.

The minutes of the 42nd Annual General Meeting were also made available on the Group's website.

At the Annual General Meeting of the Company, the Chairman highlights to the shareholders present of their right to demand for a poll, the Chief Executive Officer and Chief Financial Officer present comprehensive review of the Group's financial performance, business development, corporate responsibility activities and other significant matters that required the attention of the shareholders.

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 Annual General Meeting.

All members of the Board, Senior Management comprising the Chief Executive Officer of the insurance subsidiaries, Heads from various Departments and the External Auditors are present at the Annual General Meeting to engage directly with the shareholders and to address concerns that may be raised by the shareholders.

Suggestions received from the shareholders during the Annual General Meeting, where applicable, will be evaluated and considered for implementation by the Board.

The Management also shared with the shareholders the questions submitted in advance of the Annual General Meeting by the Minority Shareholder Watchdog Group and the Company's response in relation thereto during the Annual General Meeting. The questions from the Minority Shareholder Watchdog Group and the Company's response will be published on the Group's website after the Annual General Meeting.

In the Company's effort to promote engagement and interaction with shareholders, information counters featuring the Group's insurance products, corporate responsibilities activities and other initiatives are set up during the Annual General Meeting where shareholders' are able to understand more about the Group's product and at the same time to have hands-on experience on the various activities carried out by the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The Board, in preparing the financial statements, has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company maintains accounting records that disclose reasonable accuracy of the financial position of the Company and the Group.

The Board has overall responsibilities for taking such steps, as are reasonably available to them, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 in respect of the preparation of the Company's financial statements for the financial year ended 31 December 2016 is set out in the Financial Statements of this Annual Report.

This Statement on Corporate Governance was approved by the Board on 29 March 2017.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

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

BOARD RESPONSIBILITY

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

The Board has established an on-going process for identifying, evaluating and managing the significant risks encountered by the Group in achieving its business objectives. The process, which is reviewed and updated from time to time to cater for changes in business environment, has been in place throughout the financial year ended 31 December 2016 and has continued up to the date on which this Statement was approved.

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 ("OE(s)"). 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.

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 Risk Management Committee ("RMC") which assists the respective Board of the OEs to discharge its oversight function effectively. As part of its responsibilities, the Compliance and Risk Management functions advise the respective Board and Senior Management of the OEs on compliance, risk and regulatory matters; and provide training to the Group's employees.

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

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

Internal Audit

Internal Audit forms the "third line of defence". The Internal Audit function of the Group, which reports to the Audit Committee, 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 are independent from the day-to-day activities of the Group and have unrestricted access to all activities conducted by the Group.

The audit scope covers auditable areas encompassing financial operations, product development, pricing operations, underwriting and claims operation, agency operations, regulatory compliance and information technology ("IT") systems. An annual audit plan is developed based on annual risk assessment and approved by the Audit Committee.

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. Follow-up audits are also performed to monitor continued compliance.

All internal audit reports are submitted to the Audit Committee. The Audit Committee deliberates on key audit findings and management actions to address these findings during the Audit Committee meetings. The internal auditors will provide quarterly/bi-yearly updates to the Audit Committee on the progress of the management action plans as well as progress of the audit plan.

Other Key Internal Control Process

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

Clear and Defined Organisational Structure

- The Group has established an organisational structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Group's activities. The insurance OEs have formally used the services of the Board Committees of the Company. The Board Committees have the authority to examine matters under their terms of reference and report to the respective Board of the OEs with their observations and/or recommendations. The ultimate responsibility for the decision on all matters, however, lies with the respective Board of the OEs.

- Various Management Committees are established by the Management of the insurance OEs to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor performance and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the respective Board of the OEs.

Management Authority Limit

- The Boards' approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision making process in the Group. The operational authority limits incorporates segregation of duties and check and balance in delegation of authority.

  The Management's authority limits covers underwriting of risks, claims settlement, reinsurance and capital expenditures and are reviewed and updated to ensure relevance to the Group's operations. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

  In ensuring that the decision making process is transparent and to the best interest of the Group, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Group, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

Policies and Procedures

- Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.

  These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required. Policies are also made available via the Group's staff e-portal for easy access by the employees.

Annual Business Plan and Performance Review

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

Related Party Transactions

- The Group complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/018-6) and the MMLR in respect of its related party undertakings. Necessary disclosures were made to the respective Board of the OEs and where required, prior approval of the respective Board of the OEs and/or shareholders for the transactions had also been obtained.

- In line with Part E, Paragraph 10.09 of the MMLR on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), the Company had obtained the shareholders' mandate for the Group to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of the Company.

- The Group has also established a review procedure for related party transactions including Recurrent Transactions ("RPT Review Procedure") to ensure that:-

  (i) they are undertaken on arm's length basis;
  (ii) they are consistent with the Group's usual business practices and policies;
  (iii) the transaction prices and terms are not more favourable to the related parties than those extended to third parties/public; and
  (iv) they are not to the detriment of the minority shareholders.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- Under the RPT Review Procedure, a due diligence working group ("DDWG") was formed to review the related party transactions prior to the same being submitted to the Audit Committee for consideration. The Audit Committee will subsequently review the related party transactions and submit its recommendation to the respective Board of the OEs for consideration.

- The Audit Committee also reviews the RPT Review Procedure on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including Recurrent Transactions in a timely and orderly manner.

Underwriting and reinsurance

- The insurance OEs employ high standards in their respective underwriting process. This includes among others, risk segmentation and selection, setting adequate pricing and terms and conditions, setting of right retention limit and adequate reinsurance protection.

- Underwriting authority is controlled centrally at the Head Office level. Reinsurance is in place primarily to ensure that no single loss or aggregation of losses arising from a single event will have an adverse financial impact on the Group. Reinsurers selection is guided by the guidelines issued by the regulator and the Allianz SE Group. Reinsurance needs are reviewed annually in respect of reinsurance treaties and on case to case basis on facultative arrangements.

Financial control procedures

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

Investment

- The Investment Committee of the insurance OEs are responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Investment Department is responsible for managing the investment functions of the Group.

- The Group has in place the Group Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure that the Group's interests prevail over the personal interests of the employees.

- The investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment limits are monitored monthly to ensure compliance with the investment limits as specified in the Risk Based Capital Framework for Insurers issued by BNM.

- The investment performance and bonds exposure reports are amongst the reports submitted to the Investment Committee of the insurance OEs for review at its quarterly meetings.

Internal Capital Adequacy Assessment Process ("ICAAP")

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

Code of Conduct for Business Ethics and Compliance ("COC")

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

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

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

Product development

- The insurance OEs have each in place a Product Development Management Policy ("PDM Policy") which sets out the policies and procedures on product development in accordance with the requirements of the Guideline on Introduction of New Products by Insurers and Takaful Operators (BNM/RH/STD 029-10) issued by BNM ("BNM Product Guidelines").

- The PDM Policy aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The PDM Policy will also assist to ensure that the products developed and marketed by the respective insurance OEs are appropriate to the needs, resources and financial capability of the targeted consumer segments.

- The on-going product risk management is embedded within the risk management framework of the Group.

Whistleblowing and Anti-Fraud

- The oversight of whistleblowing and fraud matters of the Group is performed by the Company's Integrity Committee ("InC"). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.

- The Group has adopted the Group Anti-Fraud Policy and the Group Whistleblowing Policies and Procedures to address fraud and whistleblowing issues respectively. The Group Anti-Fraud Policy defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The Group Whistleblowing Policies and Procedures on the other hand, describe the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.

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

  The InC reports its findings and recommendations to the Audit Committee.

Anti-corruption

- The Group has adopted Allianz SE Group's Anti-Corruption Policy which serves to outline the Group's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.

- The Vendor Integrity Screening process which is a part of the Allianz SE Group's Anti-Corruption Programme is aimed at ensuring an integrity based due diligence before any third party vendor is engaged. The screening contains a self-assessment section which among others includes questions on anti-corruption to be answered by the potential vendor and a risk evaluation to be completed by the relevant staff/department in charge. Only those vendors whose screening does not reveal any negative findings will be engaged.

Employees

- All staff are required to make an annual declaration that they fulfilled the minimum criteria of "A Fit and Proper Person" as prescribed in Section 59(1), (2) and (3) of the Financial Services Act, 2013. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-

  (i) Related Party Transaction Declaration;
  (ii) Disclosure of Data;
  (iii) Conflict of Interest;
  (iv) Code of Conduct for Business Ethics and Compliance;
  (v) IT Security Policy and Guideline e-Awareness Declaration;
  (vi) Anti-Corruption Policy;
  (vii) Anti-Fraud Awareness Declaration; and
  (viii) Dealing with Government Clients Declaration (for employees under Sales Department only).

Sales Policy and Sales Agent Code of Conduct

- The Group's insurance intermediaries are guided by the Sales Policy and Sales Agent Code of Conduct in order to promote professional sales conduct of intermediaries representing the Group. The Group has established an Ethics and Compliance Committee in insurance OEs to deal with intermediary behaviour that are contrary to the Sales Policy and Sales Agent Code of Conduct.

- In addition, agents of the insurance OEs are also required to comply with the Code of Ethics and Conduct imposed by the respective insurance associations.

- All internal control deficiencies or breaches related to Sales Policy and Sales Agent Code of Conduct are reported to the respective Senior Management Committees of the OEs together with corrective measures.

Agent Sales Compliance Disciplinary Policy

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

Business Continuity Management

- Business Continuity Plans for all OEs have been formulated to ascertain that the Group will recover and restore any interrupted critical functions within a predetermined time upon the occurrence of any disastrous events.

  The testing for Business Continuity Plan for all critical business functions is conducted at least once a year whilst the testing for Disaster Recovery Plan test for all main application systems is conducted at least twice a year.

Information system

- The insurance OEs complied with the BNM's Guidelines on Management of IT Environment (GPIS 1) and Guidelines on Internet Insurance (Consolidated) (BNM/RH/GL/003-5) by establishing a reliable information security system and a Group Information Security Policy and Standard ("Policy") to protect information confidentiality, integrity, availability and non-repudiation. All employees are required to strictly abide by and comply with the Policy.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Data management framework

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

Data Privacy

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

Reputation Risk Management

- The Group has adopted Allianz SE Group's Allianz Standard for Reputational Risk and Issues Management which establishes a core set of principles and processes for the management of reputational risks and reputational issues within the Group. The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the Group's reputational risk strategy and Environmental, Social and Governance ("ESG") approach. Indirect reputational risk are managed through the top risk assessment and risk and control self-assessment processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

Human Resources Policies and Procedures

- The Group has established proper policies and procedures on human resource management, including recruitment, training and 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 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

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2016, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

(b) is factually inaccurate.

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

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 2016 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.

Additionally, the Internal Auditors of the Group have also reviewed this Statement and reported to the Audit Committee that, save for their presentation to the Audit Committee of the individual lapses in internal controls during the course of its internal audit assignments for the year, they have not identified any circumstances which suggest any fundamental deficiencies in the system of internal control in the Group.

CONCLUSION

Based on the above, 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 24 February 2017.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee ("AC") of the Company consists of 4 members, all of whom are Independent Non-Executive Directors. The composition of the AC as at 31 December 2016 was as follows:-

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

The members of the AC are appointed by the Board, after taking into consideration the recommendations of the Nomination and Remuneration Committee ("NRC"). In determining the appropriate size and composition of the AC, the Board takes into consideration the necessary mix of skills and experience required for the AC to effectively discharge its responsibilities. The term of office and performance of the AC and each of its members will be reviewed by the NRC annually to determine whether the AC and its members have carried out their duties in accordance with the terms of reference of AC.

The Chairman of AC, Foo San Kan, has extensive and practical accounting, auditing, tax and financial management knowledge and experience. He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow member of the Institute of Chartered Accountants in England and Wales and the Chartered Tax Institute of Malaysia. Accordingly, the Company complies with paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Independence of AC Members

There is no AC member employed in an executive position in the Company and its subsidiaries ("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 the AC. In addition, there is no AC member directly responsible for, or part of any committee involved in, the management functions of the Group.

The AC members, all of whom are Independent Non-Executive Directors are complied with the criteria for independent director as prescribed by Bursa Securities.

Foo San Kan, has exceeded 9 years of service as an Independent Non-Executive Director of the Company. Shareholders' approval was obtained at the last Annual General Meeting held on 25 May 2016 for him to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the forthcoming 43rd Annual General Meeting of the Company scheduled to be held on 24 May 2017 ("43rd AGM").

ANNUAL PERFORMANCE ASSESSMENT

The performance evaluation of the AC as a whole and on AC member individually for the financial year ended 31 December 2016 were carried out by the NRC in early 2017. The NRC's observations were subsequently presented to the Board for review. The Board was satisfied that the AC and its members have discharged their duties and responsibilities satisfactorily in accordance with the AC's terms of reference.

During the financial year 2016, Foo San Kan was re-designated from an Independent Non-Executive Director to a Non-Independent Non-Executive Director ("NINED") in the insurance subsidiaries of the Company following Bank Negara Malaysia ("BNM")'s approval that he could only be re-appointed as a NINED in the insurance subsidiaries. BNM's such approval is in line with the requirement of the Corporate Governance Policy issued by BNM on 3 August 2016 ("CG Policy") that the tenure limit for an Independent Non-Executive Director should generally not more than 9 years.

In order to regularise Foo San Kan's designation across all companies within the Group, Foo San Kan will be re-designated as a NINED of the Company after the conclusion of the 43rd AGM.

Following the issuance of the CG Policy and consequent to the above development, the NRC undertook review on the composition of AC and recommended that the composition of the AC be revised to as follows ("Revised AC Composition"):-

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

The Board reviewed the Revised AC Composition and agreed that the Revised AC Composition shall take effect from 1 April 2017.

Under the Revised AC Composition which will take effect from 1 April 2017, Foo San Kan will relinquish his position as the Chairman of the AC and Dato' Dr. Thillainathan A/L Ramasamy, an Independent Non-Executive Director of the Company and current Member of the AC, will be appointed as the Chairman of the AC. Dato' Dr. Thillainathan is a Fellow member of the Institute of Bankers Malaysia and has vast array of experience in finance, banking as well as economics.

The Revised AC Composition meets the requirements of paragraph 15.09 (1)(a) and (b) of the MMLR of Bursa Securities.

AUTHORITY

The AC has the authority to investigate any matter within its terms of reference 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.

AUDIT COMMITTEE REPORT

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. Fraud and irregularities discovered by the Management will be referred to the Integrity Committee or Internal Audit function, where applicable, for investigation.

The Chairman of the AC engaged with the Senior Management, the Head of Internal Audit and External Auditors on a continuous basis in order to keep informed of matters affecting the Group.

ROLES OF THE AC

The AC's terms of reference is incorporated in the Board Charter, which is available in the Group's website at allianz.com.my/About us/corporate-profile/corporate governance/Board Charter

The 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;
- performance and effectiveness of the external and internal audit functions; and
- conflict of interest situations and related party transactions ("RPTs").

MEETINGS AND ATTENDANCE OF MEETINGS

AC Meetings for each year are scheduled in advance prior to the end of the year and circulated to the AC members, Senior Management and External Auditors before the beginning of each year. During the financial year under review, the AC met 5 times to review, amongst others, the quarterly reports and annual financial statements of the Group prior to the same being submitted to the respective Boards for approval.

The AC Meetings are conducted in accordance with a structured agenda approved by the Chairman of AC. The Company Secretary is the secretary of the AC. The agenda together with the minutes of AC Meeting and meeting papers are sent electronically to the AC members 2 weeks prior to each AC Meeting to accord sufficient time for the AC members to review and consider issues to be discussed at the AC Meetings. Urgent matters may be tabled for the AC'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 AC members to facilitate their deliberation and decision making.

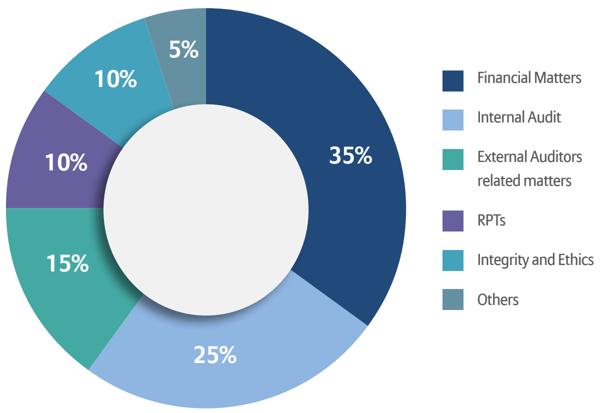
The Meetings of the AC are transparent, with all proceedings and actions being recorded and documented. AC Member who has a direct or deemed interest in a proposal or subject matter presented at the AC Meeting shall abstain from deliberation and voting on the said proposal or subject matter. The Chairman of the AC reports to the Boards of the Company and its insurance subsidiaries on matters deliberated during the AC Meetings which are relevant to the respective companies. The minutes of the AC, upon confirmation, are presented to the respective Boards for information.

The Chief Executive Officers of the Company and its insurance subsidiaries, the Chief Financial Officer/Head of Finance of the Company and its insurance subsidiaries and the Head of Internal Audit Department ("IAD") are permanent invitees to the AC Meetings to facilitate the deliberation of the AC on matters within its purview. Other members of the Senior Management are also invited for specific agenda items to support detailed discussions during the AC Meetings.

There were 5 AC Meetings held during the financial year ended 31 December 2016 and the attendances of the AC Members were disclosed in the Statement on Corporate Governance of this Annual Report.

SUMMARY OF ACTIVITIES/WORKS

Allocation of agenda time for 2016



The insurance subsidiaries of the Company have formally used the services of the AC since 1 January 2008. The following were the summary of works carried out by the AC during the financial year ended 31 December 2016:-

Financial Matters

(a) The AC reviewed and recommended the following for the approvals of the respective Boards of the Group:-

(i) The Audited Financial Statements and Directors' Reports of the Group for the financial year ended 31 December 2015.

(ii) The audited and unaudited consolidated quarterly reports of the Group.

(iii) The Audited Financial Statements for Investment-Linked Funds of the life insurance subsidiary for the financial year ended 31 December 2015.

(iv) The Interim Financial Statements for the financial period ended 30 September 2016 of the general insurance subsidiary ("Interim Review").

(v) The unaudited Interim Financial Statements for the half-year ended 30 June 2016 of the insurance subsidiaries.

(vi) The audited annual returns for the financial year 2015 of the insurance subsidiaries.

AUDIT COMMITTEE REPORT

The review, covers among others, significant and unusual events, the going concern assumption, compliance with accounting standards and other regulatory requirements, profit contribution by insurance operations, prospect of the Group.

The Chief Financial Officer/Head of Finance have given their assurance to the AC that the financial statements of the respective companies were prepared on a going concern basis and complied with various statutory and regulatory requirements.

(b) The AC reviewed and recommended for the approvals of the respective Boards of the Group, the Management Representation Letters to the External Auditors in respect of the statutory audits of the Group and financial statements of the Investment-Linked Funds of the Company's life insurance subsidiary for the financial year 2015. The Management Representation Letters set out the representations made by the respective Boards/Management on information and/or assumptions presented to KPMG during their course of audit, confirming the financial statements have been drawn up to give a true and fair view in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and the requirements of Companies Act 1965 in Malaysia, the Financial Services Act 2013 and guidelines/circulars issued by BNM as well as the Management's responsibilities for the financial statements.

(c) The AC had 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 financial year 2015.

(d) The AC reviewed the Directors' Statement on Risk Management and Internal Control ("SORMIC") prior to the same being submitted to KPMG for review.

During the financial year 2015, the Chief Executive Officers and Chief Financial Officer/Head of Finance of the respective companies have not identified any significant deficiencies in the design or operation of internal controls that could adversely affect the Group's ability to meet its business objectives. The Chief Executive Officers and Chief Financial Officer/Head of Finance of the respective companies were of the view that the present risk management framework and internal control system are adequate and effective in mitigating risks to achieve its business objectives. The written assurance from the Chief Executive Officers and Chief Financial Officer/Head of Finance in respect thereto were presented to the AC.

The SORMIC for the financial year 2015 ("2015 SORMIC") had been reviewed by KPMG and concluded that nothing has come to their attention that causes them to believe that the 2015 SORMIC, in all material respects has not been prepared in accordance with the relevant disclosures requirement or was factually inaccurate. The AC also reviewed the Management Representation Letter in relation to SORMIC and satisfied with the contents of the same. AC approved the Management Representation Letter and recommended the 2015 SORMIC for the Board's approval.

Internal Audit

(a) In its oversight over the Internal Audit function, the AC had approved the Group's 5-year (2017 – 2021) Internal Audit Plan. The five years audit plan is a dynamic plan where the review will be conducted on an annual basis.

(b) The AC reviewed on quarterly basis the progress reports of the Group's Internal Audit Plan 2016 ("2016 Plan") to ensure that the 2016 Plan was on track. The AC also discussed the progress reports on various outstanding audit findings. The AC noted that 94% of the 2016 Plan has been executed and 3 adhoc audit assignments were carried out in 2016.

(c) The various Internal Audit Reports and Internal Assessment Reports covering core operations, non-core operations and IT were tabled for deliberations at the AC Meetings. The system of internal control over the audited areas including management oversight were 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. The 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) The AC reviewed the Independent Validation Reports for Perbadanan Insurans Deposit Malaysia ("PIDM") Differential Levy System ("DLS") Framework and Return on Calculation of Premiums ("RCP") for the period from 1 January 2015 to 31 December 2015 ("Validation Reports"), prepared by the Head of IAD and External Auditors for the Company's insurance subsidiaries. Both the Head of IAD and External Auditors had given a clean opinion on their respective Validation Reports on the insurance subsidiaries. The AC approved the Validation Reports prepared by the Head of IAD.

The notification from PIDM in respect of the DLS score, levy category and annual levy for assessment year 2016 for the insurance subsidiaries and the revised PIDM's Guidelines on Validation Programme: DLS and Levies Calculation and revised Guidelines on DLS Framework for Insurance Companies were tabled to the AC in their Meetings for AC's information and deliberation.

(e) The AC had reviewed the results of the self-assessment review of the IAD in 2016. The internal audit self assessment review is conducted on an annual basis to evaluate the internal audit activities' efficiency, effectiveness and identifies opportunities. The overall performance of the IAD was rated Satisfactory and the AC was satisfied with the results of the self-assessment review of the IAD.

(f) The AC reviewed the resource requirements of IAD including adequate and competent resources given the size and complexity of the Group's operations to ensure quality of the resources and IAD able to carry out its functions effectively.

(g) In February 2016, the AC evaluated the 2015 performance of the Head of IAD and submitted its recommendations to the Nominating Committee and the respective Boards for review. AC also reviewed the 2016 target letter of the Head of IAD and recommended the same for the approval of the Nominating Committee and the respective Boards.

AUDIT COMMITTEE REPORT

(h) The AC noted the annual declaration of independence by the Head of IAD in respect of the internal audit activities carried out in 2016. The Head of IAD declared that the internal audit activity carried out has complied with the independence requirements of the Institute of Internal Auditors and the Group Standards and there was no contravention of any applicable code of professional conduct in relation to the audit activity.

(i) The Head of IAD had on 24 February 2016 and 28 November 2016 met with the AC without the presence of the Management to discuss on key internal controls and internal audit related matters. The AC also reviewed together with the Head of IAD the resources, staffing and succession planning of the IAD.

External Auditors

(A) Audit plan, findings and recommendations

During the financial year, the External Auditors attended 3 AC Meetings and briefed the AC on matters relating to External Auditors. The AC had reviewed with the External Auditors:-

(i) the 2015 final audit findings of the Group, which covered, significant risk areas, adjustment arising from the audit, control deficiencies, fraud reporting, implications arising from the adoption of the new MFRS and the format of the new audit report. The External Auditors have not alerted the AC so far on any material concern/weaknesses in the internal control of the Group.

(ii) the Management Letters issued by External Auditors in respect of the statutory audit of the insurance subsidiaries for the financial year 2015 and the respective Management's responses in relation thereto. The AC was satisfied with the responses provided by the respective Management and recommended the same for the respective Boards for approval.

(iii) the External Audit Plan of the Group for the financial year ended 2016, which covered, amongst others, the engagement team, audit materiality, audit scope, audit methodology, audit timeline, areas that could be covered under the key audit matters, IT review plan, audit focus areas, planned audit approach and the amendments to the MMLR, Companies Bill 2015 and new MFRS.

(iv) the Company's general insurance subsidiary's Interim Financial Statements for the financial period ended 30 September 2016 ("Interim Review"). The AC also reviewed the interim audit findings raised by KPMG in its Management Letter and the Management responses to the audit findings. The AC was satisfied with the Management responses and recommended the same for the approval of the general insurance subsidiary Board.

(v) Two (2) private discussions were held between the AC and the External Auditors without the presence of the Management on 24 February 2016 and 28 November 2016 to allow External Auditors to express concerns, problems and reservations arising from financial audits.

The External Auditors complimented the Management of the Group for their professionalism and cooperation extended to them during their course of audit.

AC was informed of the KPMG's intention to convert its status to a limited liability partnership ("LLP") pursuant to Section 29 of the LLP Act 2012. Upon the approval granted by the Companies Commission of Malaysia, KPMG would assume the name of KPMG PLT.

KPMG has successfully on 27 December 2016 converted its status to a LLP. There is no change to the Audit Firm Number, which remains as AF 0758.

(B) Re-appointment of External Auditors

(a) In line with the AC's responsibility to review and appoint the External Auditors, the AC reviewed the performance assessment of KPMG including its engagement partners and concurring partners, based on the criteria prescribed by the relevant authorities, amongst others, KPMG's independency, the adequacy of the experience and resources, the level of knowledge, capabilities, experience and quality of previous work, level of engagement, ability to perform the audit work within the agreed timeframe, adequacy in audit coverage, effectiveness in planning and conduct of audit, ability to provide constructive observations and independence (collectively referred to as "Evaluation Criteria").

In February 2016, AC undertook an annual assessment on the performance of KPMG. The assessment process involves obtaining inputs from the Chief Financial Officer/Head of Finance and the Finance Team of the Group, being the main contact point of the Group with KPMG, on the performance of KPMG based on the Evaluation Criteria including the response time of KPMG audit team on issues raised. The Chief Financial Officer/Head of Finance and the Finance Team were satisfied with the works delivered by KPMG and recommended the re-appointment of KPMG as External Auditors for the financial year 2016 based on the following rationales:-

(i) KPMG is familiar with the local insurance industry and they are also the external auditors of the Allianz SE Group;
(ii) KPMG is able to provide effective co-ordination of audits conducted between the companies within the Group as well as between the Group and the Allianz SE Group;
(iii) KPMG met the minimum criteria, as prescribed by BNM; and
(iv) KPMG completed the Group 2015 audit satisfactorily.

During the year, KPMG made a declaration to the Group that KPMG and its network firms, the engagement partners, engagement quality control reviewer and members of the engagement team in the audit are and have been, independent for the purpose of the audit in accordance with the terms of the relevant professional and regulatory requirements.

The AC deliberated on the evaluation and recommendation of the Chief Financial Officer/Head of Finance and the Finance Team and undertook evaluation on the performance of KPMG (including of its engagement partners and concurring partners) based on the Evaluation Criteria and the private meetings held with the engagement partners and the audit team. AC concurred with the Management's recommendation and justification to re-appoint KPMG as the External Auditors for the Group and recommended that KPMG be reappointed as the External Auditors for the Group for the financial year 2016.

The AC also ensures that there is a rotation on the engagement partner and the concurring partner at least once in every 5 years. During the financial year, the AC reviewed the resume of the engagement partners and the concurring partner together with their respective statutory declarations pertaining to their compliance with the BNM's appointment criteria for auditors and satisfied that the engagement partners and the concurring partner met the qualification criteria as prescribed by BNM. The AC therefore recommended the re-appointment of engagement partners and concurring partner of the Group for the respective Boards' approval.

(b) The Chief Financial Officer presented the proposed audit fees for the financial year 2016 ("2016 Audit Fees") for the AC's consideration. The 2016 Audit Fees represents a 5% increase over the audit fees for financial year 2015 and the reason for the increase in the 2016 Audit Fees was due to the inclusion of Key Audit Matters in the Audited Financial Statements of the Company.

The audit fees for the financial year 2016 for the Company and the Group are as set out below:-

	Group RM'000	Company RM'000
Statutory Audit Fees	827	159

The AC reviewed the scope of works and the 2016 Audit Fees of the Group and recommended the 2016 Audit Fees of the Group for the respective Boards' approval.

(c) AC also reviewed and recommended for the approvals of the respective Boards of the Group:-

(i) the re-appointment of KPMG to review the SORMIC of the Company for the financial year 2016;
(ii) the re-appointment of KPMG for the professional services in relation to the issuance of independent validation report to PIDM for the insurance subsidiaries for the year of assessment 2017;
(iii) the appointment of KPMG as External Auditors to perform terminal audit before the commencement of the member's voluntary winding up of a dormant subsidiary;
(iv) the engagement of KPMG to perform Interim Review on the general insurance subsidiary;
(v) the fee for KPMG to perform review of the Company's life insurance subsidiary's group reporting to KPMG Munich for the financial year 2015 with regard to IFRS and relevant Allianz SE Group reporting requirements for submission to Allianz SE; and
(vi) the KPMG's engagement letters in relation to the above appointments.

(C) Provision of non-audit services by the External Auditors or their affiliates

The AC is also required to ensure proper check and balances are in place so that provision of non-audit services by the External Auditors do not interfere with their exercise of independent judgment. In this regard, the Policy on Audit and Non-Audit Services Provided by External Auditor ("Policy") was put in place to govern the professional relationship between the Group and its External Auditor in relation to audit and non-audit services. The Policy is aimed to ensure that the independence and objectivity of the External Auditors are not compromised.

The Policy is available in the Group's website at allianz.com.my/Aboutus/corporate-profile/corporate governance

During the financial year, the AC assessed the independence and objectivity of KPMG prior to the appointment of KPMG's affiliate to provide advisory services in relation to sustainability reporting ("Proposed Engagement"). During the review for non-audit services, AC noted that the services rendered by KPMG or their affiliates are not prohibited under the Policy and after considering their professionalism, expertise, knowledge, relevancy and appropriateness in experience, fee level as well as independence check to ensure that the Proposed Engagement would not compromise KPMG's independence and objectivity.

In addition, all non-audit services would require the KPMG Group Risk Management's clearance prior to any formal engagement.

During the year, AC recommended the below mentioned non-audit services and their respective fees for the respective Boards' approval ("Non-Audit Services & Fees"). Non-Audit Services & Fees were approved by the respective Boards of the Group during the financial year 2016:-

	Subsidiaries RM'000	Company RM'000
Non-Audit Fees		
• review of interim financial information for the period ended 30 September 2016 for the general insurance subsidiary (by KPMG PLT)	53	-
• other regulatory related fee (PIDM agreed-upon procedures) for the insurance subsidiaries (by KPMG PLT)	16	-
• review of SORMIC (by KPMG PLT)	-	10
• terminal audit with regard to the proposed member's voluntary winding up of a dormant subsidiary (by KPMG PLT)	12	-
• advisory services in relation to sustainability reporting (by a firm affiliated to KPMG PLT)	-	160

The total non-audit fees of the Group for the financial year 2016 was amounting to RM251,000.

Related Party Transactions

(a) During the financial year, the AC reviewed and deliberated on all new and existing RPTs and recurrent RPTs ("RRPTs") together with the RRPTs mandate for the ensuing year and recommended to the Board for consideration.

AUDIT COMMITTEE REPORT

All RPTs and RRPTs were reviewed by the Shareholders' Mandate Due Diligence Working Group ("DDWG") prior to the said transactions being presented to the AC for consideration. The DDWG reviewed all RPTs and RRPTs based on the following criteria and submit its recommendations to the AC:-

(i) transaction prices or contract rates;
(ii) terms and conditions of the contract;
(iii) efficiency, quality, level of service and/or expertise and/or technical support provided;
(iv) benefits arising from the services/products;
(v) satisfactory past year experience and working relationship; and
(vi) in respect of the insurance activities, pursuant to reinsurance, underwriting and treaty arrangements entered into between relevant parties.

Based on the recommendation of the DDWG, the AC further imposed a test of whether such transactions are or will be transacted in accordance with the RPT requirements imposed by local authorities and are not more favourable to the related parties than those generally available to the public and not to the detriment of the minority shareholders (collectively referred to "Compliance Test"), prior to recommending for the respective Boards' approval.

The AC members who have a direct or deemed interest in the RPTs/RRPTs presented at the AC had abstained from deliberation and voting on the said RPTs/RRPTs.

The AC having satisfied that all RPTs/RRPTs complied with the Compliance Test, recommended the RPTs/RRPTs for the respective Boards' approval.

AC also reviewed the list of RPTs entered into by the insurance subsidiaries for the periods from 1 January 2015 to 31 December 2015 and from 1 January 2016 to 30 June 2016 which were submitted to BNM pursuant to BNM's policy on RPTs.

(b) During the financial year, the AC also reviewed the review procedures for RRPTs ("Review Procedures") to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify RPTs including RRPTs in a timely and orderly manner. The AC was of the view that the Review Procedures are sufficient to ensure that the 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 RRPTs in a timely and orderly manner. In view thereof, AC approved the AC Statement in respect of the Review Procedures for inclusion in the Circular to shareholders relating to renewal of shareholders' mandate for RRPTs.

(c) AC reviewed the disclosure of RRPT outstanding amount due from related parties ("Outstanding Amount") including the Management's action plan to collect the Outstanding Amounts 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 action plan and the Management's view. The 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, the AC reviewed the disclosures of the directorships and shareholdings held by Directors and persons connected with them on half yearly basis and 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 report its findings and recommendations to the AC.

(b) The AC reviewed the findings and recommendations by the Integrity Committee on new whistleblowing cases and updates of the reported whistleblowing communications. There were no material issues reported. The AC approved the actions to be taken and the closure of cases as recommended by the Integrity Committee.

(c) The AC reviewed the findings and recommendations by the Integrity Committee on the updates on reported fraud cases and new fraud cases discovered by the insurance subsidiaries. There were no fraud cases of material or significant impact detected. The AC approved the actions to be taken and the closure of cases as recommended by Integrity Committee.

(d) The AC reviewed the gift register of the Company and its insurance subsidiaries on 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.

(e) The AC reviewed the compliance review report of the life insurance subsidiary with the Guidelines of the Life Insurance Association of Malaysia for years 2013 to 2015, and having satisfied the compliance demonstrated by the life insurance subsidiary, recommended the said report for the approval of the Board of life insurance subsidiary.

Annual Reporting

(a) The AC prepared its report with regard to internal control environments of the insurance subsidiaries for the financial year 2015 for submission to BNM. There were no significant weaknesses in the internal control system of the Group.

(b) The AC reviewed and recommended for the approval of the Board, the Chairman's Statement, AC Report and the Statement on Corporate Governance for inclusion in the Annual Report of the Company for the financial year 2015.

Others

(a) The AC reviewed and deliberated on the BNM's 2015 supervisory review observations of the insurance subsidiaries and the Management's responses and remediation actions, prior to the same being presented to the respective Boards. AC also monitored the remedial measures to address the findings highlighted in 2015 supervisory review on quarterly basis.

(b) The AC reviewed and deliberated on the supervisory assessment by BNM on the general insurance subsidiary's motor claims and the Management's responses and actions plans in relation thereto. The AC also subsequently reviewed the progress of the action plans.

(c) The AC reviewed and recommended for the approval of the Boards of the insurance subsidiaries, the write-off of the Goods and Services Tax ("GST") amount chargeable on insurance premium for customers following the implementation of the GST Act 2014.

(d) The AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz SE Group ("Allianz Group") Accounting and Reporting Policy version 3.0 ("GARP") issued by Allianz SE. 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 SE Group and sets the related governance structure.

(e) The AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Audit Policy version 5.0 issued by Allianz SE ("AGAP"). AGAP aims to ensure that the organisation and work of the Allianz Group's Internal Audit functions worldwide adhere to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Allianz Group's goals is ensured. It shall thus, facilitate the implementation of regulatory requirements.

(f) The AC also deliberated on the investigation by Malaysia Competition Commission ("MyCC") in respect of the allegation by Federation of Automobile Workshop Owners' Association of Malaysia on Persatuan Insuran Am Malaysia and its members, the general insurance subsidiary of the Company.

TRAINING

During the financial year ended 31 December 2016, AC members have attended various conferences, seminars and training programmes and the details of the conferences, seminars and training are reported under the Statement on Corporate Governance of this Annual Report.

INTERNAL AUDIT FUNCTION

The internal audit function of the Company is carried out by the IAD, which is independent of business operations. The IAD reports directly to the AC and to the Chief Executive Officer administratively. The primary objective of the IAD is to assist the Management, AC and the Boards of the Group in the effective discharge of their responsibilities. This is performed through the independent assessment and appraisal of the internal controls and the evaluation of the effectiveness of risk management system and corporate governance process of the Group to ensure that organisational and management controls are adequate and effective, in line with the Group's goals. It includes promoting and recommending cost effective controls for safeguarding the Group's assets and minimising the opportunities for error and fraud.

During the financial year ended 31 December 2016, the IAD carried out its duties in accordance with its Audit Charter and 2016 Audit Plan. All internal audit reports which incorporated the Management's responses and action plans were tabled for discussion at the AC Meetings.

2016 audit plan was developed based on annual risk assessment and approved by the AC. The identified key audit areas for 2016 encompassing Sales and Distribution, operational processes (underwriting, claims, reinsurance, collection and cashiering at Head Office and Branches), Business Continuity Management, Compliance Review, Market Management, Product Development, Finance and Accounts, Corporate Actuarial and Information Technology and Systems.

A total of 53 internal audit assignments and 3 ad hoc assessments were carried out during the financial year 2016. A total of 49 internal audit and assessment reports generated during the financial year ended 31 December 2016 were reviewed and deliberated by the AC. There were no significant or material audits findings detected during the financial year ended 31 December 2016.

These audits and assessment reviews are performed in line with the BNM guidelines with regard to Internal Audit Function, Professional Practice of Internal Auditing set by the Institute of Internal Auditors and other relevant practices or guidelines.

The IAD also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports of the audit observations on remedial measures taken by the Management of the respective companies were tabled at the AC Meetings on quarterly basis for the AC's review.

IAD also participated in an advisory consulting role in the development of new process as well as system developments and enhancement where the objective is to add value and improve governance, risk management and controls without assuming management responsibility.

There are a total of 16 internal auditors including the Head of Internal Audit in the IAD. All internal auditors have completed tertiary education in the relevant fields related to the business of the Group.

The total cost incurred by the IAD in discharging the internal audit functions of the Group for the financial year 2016 was RM3.1 million (2015: RM2.8 million).

This AC Report was approved by the Board on 29 March 2017.

NOMINATION AND REMUNERATION COMMITTEE REPORT

During the financial year ended 31 December 2016, the Nominating Committee ("NC") reviewed the composition of the Board Committees of the Company following the issuance of the Corporate Governance Policy ("CG Policy") by Bank Negara Malaysia ("BNM") on 3 August 2016. The NC recommended for the Board's approval, the proposed combination of NC and Remuneration Committee ("RC") and renamed it as Nomination and Remuneration Committee ("NRC") with effect from 1 January 2017. The recommendation of NC was approved by the Board on 12 January 2017.

COMPOSITION

The NRC of the Company consists of 5 members, all of whom are Independent Non-Executive Directors. The composition of the NRC as at the date of this report is as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dato' Dr. Thillainathan A/L Ramasamy (Member)	Independent Non-Executive Director
Tunku Zain Al-Abidin Ibni Tuanku Muhriz (Member)	Independent Non-Executive Director

The NRC is led by Tan Sri Datuk (Dr.) Rafiah Binti Salim, who has extensive years of experience in legal, human resource, banking, academic, at the local and international levels. The NRC under the stewardship of Tan Sri Datuk (Dr.) Rafiah Binti Salim has contributed positively to the effectiveness of the NRC.

The NRC's composition meets the requirement of paragraph 15.08A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

ROLES OF NRC

The NRC's terms of reference is incorporated in the Board Charter, which is available on the Group's website at allianz.com.my/About us/corporate-profile/corporate governance/Board Charter

The primary objectives of the NRC are:-

(a) to establish a documented formal and transparent procedure for the appointment and removals of Directors, Chief Executive Officers and Key Responsible Persons of the Company and its subsidiaries ("Group");
(b) to assess the effectiveness of individual Director, the respective Boards (including various committees of the Board), Chief Executive Officers and Key Responsible Persons of the Group on an on-going basis;
(c) to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officers, Key Responsible Persons; and
(d) to ensure that the compensation is competitive and consistent with the culture, objective and strategy of the Group.

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:-

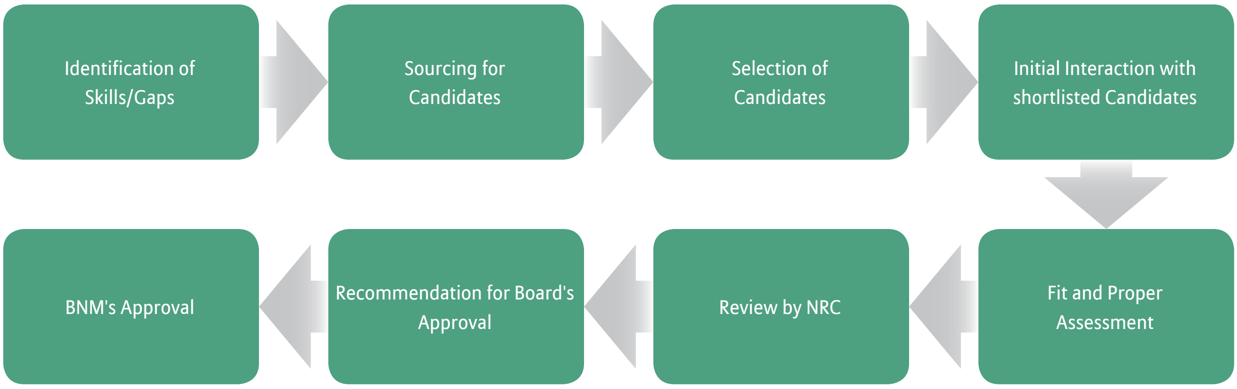
(a) skills, knowledge, competencies, expertise and experience;
(b) professionalism;
(c) integrity;
(d) commitment, contribution and performance; and
(e) in the case of candidate for the position of Independent Non-Executive Director, the NRC will also evaluate the candidate's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Director.

All appointments of Board members are subject to the evaluation by the NRC and approved by the Board. For the insurance subsidiaries of the Company, the appointment of Directors to the Board shall be subject to the prior approval of BNM pursuant to Section 54(2) of Financial Services Act 2013.

The Board leverages on the Directors' network, shareholders' recommendation and industry database such as the Directors Register, a joint initiative by Financial Institutions Directors' Education ("FIDE") Forum, BNM and Perbadanan Insurans Deposit Malaysia, to source for potential candidates for appointment to the Board.

In the effort to promote Board diversity, the NRC has taken steps to ensure that women candidates are sought and considered in its recruitment exercise for appointment of new Directors to the Board.

The Group is guided by the following process and procedures for nomination of new candidates:-



BOARD AND DIRECTORS PERFORMANCE EVALUATION

The NRC conducts an annual assessment of the performance and effectiveness of the Board, Board Committees and the contribution by each Director to the effectiveness of the Board and Board Committees.

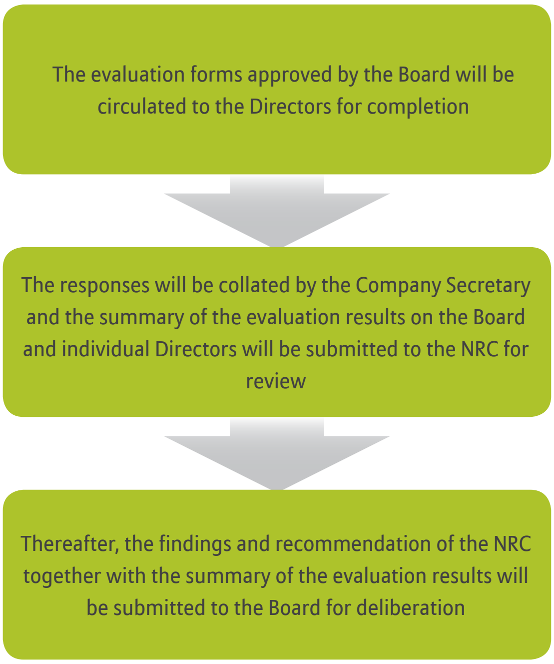
The following performance evaluation processes were established to evaluate the performance of the Board, individual Directors, Board Committees and their members:-

Annual Performance Evaluation on the Board, evaluated by peers

Covered areas, among others:-
- Roles and responsibilities
- Conformance and compliance
- Stakeholder relationships
- Performance management

Annual Performance Evaluation on Individual Directors, evaluated by peers

Covered areas, among others:-
- Directors' compliance with prescriptive requirements imposed by regulators
- Participation in Board and Board Committees
- Contribution to interaction
- Quality of input
- Understanding of role



NOMINATION AND REMUNERATION COMMITTEE REPORT

Annual Performance Evaluation on Board Committees and their members, evaluated by NRC

Covered areas, among others:-
- Composition
- Quality of inputs
- Level of experience
- Contribution and performance
- Timely reporting

The evaluation forms approved by the Board will be circulated to the NRC Members for completion

The responses will be collated by the Company Secretary and the summary of the evaluation results on the Board Committees and their members will be submitted to the NRC for review

Thereafter, the findings and recommendation of the NRC together with the summary of the evaluation results will be submitted to the Board for deliberation

In order to objectively assess the performance and effectiveness of the Board, Board Committees and individual Directors, the Board had in February 2017 approved the proposal to appoint an independent consultant to assist in and lend objectivity to the annual board evaluations, following the recommendation from NRC.

INDEPENDENCE ASSESSMENT

Each Independent Director is required to complete the Independence Assessment annually, upon admission and more frequently when a change in position or relationship warrants it or when any new interest or relationship develops. The NRC will review the independence of the Independent Non-Executive Director based on the assessment criteria approved by the Board.

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

The Company Secretary will distribute the independence declaration form to all Independent Non-Executive Directors for completion

Each Independent Non-Executive Director will perform a self review on his/her independence by completing the declaration form

Responses will be collated by the Company Secretary and submit to the NRC for evaluation

NRC review the independence of the Independent Non-Executive Directors based on the assessment criteria approved by the Board

Each Independent Non-Executive Director shall excuse from meeting room during discussion of his/her independence

Findings from the NRC will be presented to the Board for deliberation

NOMINATION AND REMUNERATION COMMITTEE REPORT

RE-ELECTION AND RE-APPOINTMENT OF DIRECTORS

In accordance with the Articles of Association of the Company, 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 Articles of Association 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 who are subject to re-election at the Annual General Meeting ("Re-election") or Directors who are subject to re-appointment ("Re-appointment") based on the following criteria as approved by the Board:-

(a) Compliance with prescriptive requirements by regulators;
(b) Participation in Board and Board Committees' Meetings;
(c) Contribution to interaction;
(d) Quality of input; and
(e) Understanding of role.

The NRC submits its findings and recommendation with regard to the Re-election and/or Re-appointment to the Board 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:-

1. **NRC Members evaluate Directors who are subject to re-election or re-appointment**
2. **Evaluation results submit to the NRC for review**
3. **NRC assesses the evaluation results**
4. **Findings and recommendation of the NRC together with the evaluation results submit to the Board for decision**

The following disclosures are pertaining to the NC, prior to its amalgamation with the RC on 1 January 2017.

TRAININGS

During the financial year ended 31 December 2016, NC members attended various conferences, seminars and training programmes. The details of the conferences, seminars and training are reported under the Statement on Corporate Governance of this Annual Report.

MEETINGS AND ATTENDANCE OF MEETINGS

NC Meetings for each year are scheduled in advance prior to the end of the year and circulated to the NC Members before the beginning of each year.

The NC Meetings are conducted in accordance with a structured agenda approved by the Chairperson of NC. The agenda together with the minutes of meeting and meeting papers are circulated to the NC Members two weeks prior to NC Meetings to accord sufficient time for the NC Members to review and consider issues to be discussed at the NC Meetings. Urgent matters may be tabled for the NC'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 NC Members to facilitate their deliberation and decision making.

The Chief Executive Officers of the Company and its insurance subsidiaries are permanent invitees to the NC Meeting to facilitate the deliberation of the NC on matters within its purview.

The Meetings of the NC are transparent, with all proceedings and actions being recorded and documented. NC Member who has a direct or deemed interest in a proposal or subject matter presented at the NC Meeting shall abstain from deliberation and voting on the said proposal or subject matter. The Chairperson of the NC reports to the respective Boards of the Group on matters deliberated during the NC Meetings which are relevant to the respective companies. The minutes of the NC, upon confirmation, are presented to the respective Boards for information.

There were 5 NC Meetings held during the financial year ended 31 December 2016 and the attendance of the NC Members is disclosed in the Statement on Corporate Governance of this Annual Report.

NOMINATION AND REMUNERATION COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The following were the summary of activities carried out by the NC during the financial year ended 31 December 2016:-

New Appointment of Director

The NC carried out an evaluation on the proposed appointment of an Independent Non-Executive Director for the insurance subsidiaries based on the prescribed evaluation criteria and submitted its recommendation and justification for the said proposed appointment to the respective Boards of the insurance subsidiaries for consideration.

The Board accepted the recommendation from the NC and approved the proposed appointment of the Independent Non-Executive Director of the insurance subsidiaries subject to BNM's approval.

The Independent Non-Executive Director was formally appointed to the Boards of the insurance subsidiaries on 3 January 2017 following the approval granted by BNM.

Re-election and Re-appointment

The NC carried out performance assessment on the following Directors who are subject to retirement by rotation or re-appointment at the 42nd Annual General Meeting held in 2016:-

(a) Tan Sri Datuk (Dr.) Rafiah Binti Salim and Zakri Bin Mohd Khir, who were subject to retirement by rotation pursuant to the Company's Articles of Association; and
(b) Tan Sri Razali Bin Ismail and Dato' Dr. Thillainathan A/L Ramasamy who were subject to re-appointment pursuant to Section 129(6) of the Companies Act, 1965.

The NC having reviewed the assessment results, was satisfied with the performance of the respective Directors and recommended the re-election and re-appointment of the abovementioned Directors to the Board for approval.

All the abovementioned Directors had abstained from the deliberation and voting of their respective re-election or re-appointment at the NC Meeting.

The re-election and re-appointment of the abovementioned Directors were approved by the shareholders of the Company at the 42nd Annual General Meeting held on 25 May 2016.

NC also carried out performance assessments on Directors in the insurance subsidiaries who were subject to re-election and re-appointment at the Annual General Meeting of the respective insurance subsidiaries and having satisfied with the performance of the respective Directors, recommended the re-election and re-appointment of the respective Directors to the Boards of the respective insurance subsidiaries for approval.

NC also reviewed the proposed re-appointment of an Independent Non-Executive Director of the insurance subsidiaries based on the criteria prescribed by BNM and submitted its recommendation and justification for the said proposed re-appointment to the respective Boards of the insurance subsidiaries for consideration.

The Board having reviewed the proposed re-appointment of an Independent Non-Executive Director of the insurance subsidiaries resolved that the same be approved subject to BNM's approval. BNM has in June 2016 approved the insurance subsidiaries' applications for the said Independent Non-Executive Director to be re-appointed as a Non-Independent Non-Executive Director.

NC also reviewed the proposed re-appointment of Chief Executive Officer of the general insurance subsidiary based on the criteria prescribed by BNM and submitted its recommendation and justification for the said proposed re-appointment to the Board of the general insurance subsidiary for consideration.

The Board having reviewed the proposed re-appointment of the Chief Executive Officer of the general insurance subsidiary resolved that the same be approved subject to BNM's approval. BNM has in September 2016 approved the general insurance subsidiary's application for the re-appointment of its Chief Executive Officer.

Directors' Performance Review

NC reviewed the assessment results of individual Directors and the respective Boards of the Group for year 2016. The individual assessment on Directors of the Company was rated as "Good" and the Board assessment was rated as "Excellent".

Composition Mix

NC 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.

NC also reviewed and noted that the Independent Non-Executive Directors made up more than half of the Board members. Accordingly, the composition of the Board is appropriate and well balanced to cater for the interest of the majority and minority shareholders.

The NC also reviewed the Board Composition Mix of the insurance subsidiaries and submitted its observations to the respective Boards for deliberation.

Independence Assessment

All Independent Non-Executive Directors have provided their annual confirmation of independence to the NC. The annual independence assessment on Independent Non-Executive Directors for year 2016 was performed by the NC in February 2016. When assessing independence, the NC 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.

The NC 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. The NC was of the view that all Independent Non-Executive Directors of the Company remain independent and shall maintain their Independent Non-Executive Directors status in the Company. The observations from the NC were submitted to the Board for deliberation.

In deliberating on the subject matter, the Independent Non-Executive Directors who are members of the NC had abstained from the deliberation and voting on their respective independence assessment.

The NC also reviewed the proposal for Foo San Kan, to continue to act as an Independent Non-Executive Director of the Company after serving for a cumulative term of 9 years and submitted its recommendation and justification for the Board's consideration.

The Board approved the recommendation of the NC and the resolution to re-appoint Foo San Kan, who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than 9 years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting, for the shareholders' approval.

The NC also carried out independence assessment on Independent Non-Executive Directors of the insurance subsidiaries for year 2016 and submitted its observations to the respective Boards for deliberation.

During the financial year 2016, Foo San Kan was re-designated from an Independent Non-Executive Director to a Non-Independent Non-Executive Director in the insurance subsidiaries of the Company following BNM's approval that he could only be re-appointed as a Non-Independent Non-Executive Director in the insurance subsidiaries. BNM's such approval is in line with the requirement of the CG Policy that the tenure limit for an Independent Non-Executive Director should generally not be more than 9 years.

In order to regularise Foo San Kan's designation across all companies within the Group, Foo San Kan will be re-designated as a Non-Independent Non-Executive Director of the Company after the conclusion of the 43rd Annual General Meeting.

Board Committees' Performance Review and Composition

(a) The NC carried out performance assessments on the Board Committees and their members and was satisfied with the performance of the Board Committees and their members. The findings of the NC were submitted to the Board for deliberation.

(b) The NC reviewed the composition of the respective Boards and Board Committees following the issuance of the CG Policy by BNM on 3 August 2016 and recommended the proposed composition of the respective Boards and Board Committees for the consideration of the respective Boards. The NC also recommended to the Board, to combine the NC and RC and renamed it as NRC with effect from 1 January 2017. NC's recommended composition of the Board Committees is disclosed in the relevant sections of this Report, the Audit Committee Report and Statement on Corporate Governance.

Key Responsible Persons

(a) The NC reviewed the list of Key Responsible Persons of the Group ("List") and proposed new Key Responsible Persons be included in the List. The proposal of NC was submitted to the respective Boards of the Group for consideration. The NC also reviewed the annual fit and proper assessment results of the Directors and Key Responsible Persons of the Group. The NC having satisfied with the results of the fit and proper assessment of the Directors and Key Responsible Persons, reported its observation to the respective Boards of the Group.

(b) The NC reviewed the 2015 performance evaluation results of the Key Responsible Persons of the Group and submitted its observations to the respective Boards of the Group for consideration.

(c) The NC reviewed the proposed promotion for Key Responsible Persons and submitted its recommendation to the respective Boards of the Group for approval.

(d) The NC reviewed the 2016 target letters of the Key Responsible Persons of the Group, recommended the same to the respective Boards of the Group for approval.

(e) The NC evaluated the proposed appointment of a new Chief Executive Officer of the life insurance subsidiary and submitted its recommendation to the Board of the life insurance subsidiary for consideration.

(f) The NC reviewed the proposed re-appointment of Appointed Actuaries for the insurance subsidiaries of the Company for the financial year 2017 and having being satisfied with the performance of the Appointed Actuaries of the insurance subsidiaries and their fulfilment with the criteria as stipulated in BNM's Guidelines, recommended their re-appointment to the respective Boards of the insurance subsidiaries for consideration.

(g) The NC reviewed the proposed extension of employment contract of an expatriate Key Responsible Person and the proposed change of roles and responsibilities of several Key Responsible Persons of the Company and its insurance subsidiaries, recommended the respective proposals to the respective Boards for approval.

Training

The NC reviewed the list of training programmes/courses attended by the Directors of the Group (either as participant or as a speaker/ moderator) for year 2015 and was satisfied with the training programmes/courses attended by the Directors for year 2015. The NC reported its observations to the respective Boards of the Group.

Others

(a) The NC reviewed the proposed appointment of Chief Executive Officer of the general insurance subsidiary as a Non Executive Director in an insurance company of Allianz SE Group based in Thailand and recommended the proposed appointment to the Board of the general insurance subsidiary for consideration, subject to BNM's approval.

(b) The NC discussed the implication of the composition of the Board and the Board Committees following the issuance of the CG Policy issued by BNM on 3 August 2016.

(c) The NC reviewed the revised Allianz Group Fit and Proper Policy and submitted its recommendation to the respective Boards of the Group for consideration.

This NRC Report was approved by the Board on 29 March 2017.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2016, there were no proceeds raised from corporate proposals.

2. MATERIAL CONTRACTS

The Company had on 27 December 2012 entered into an advance agreement ("Advance Agreement") with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of EURO Equivalent of RM54.3 million to be made available by Allianz SE to the Company ("Advance"), upon the terms and conditions as stipulated in the Advance Agreement. The term loan is unsecured and subject to interest of 4.3 percent per annum and repayable in 2018.

The Advance is being utilised by the Company for general working capital purposes and to finance the business expansion of its life operating subsidiary.

Save as disclosed above, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors, chief executive who is not a Director or major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2016 or, had been entered into since the end of the previous financial year.

3. ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2017

3.1 ORDINARY SHARE

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	105	4.83	523	0.00
100 to 1,000	1,204	55.36	414,364	0.24
1,001 to 10,000	598	27.49	2,373,274	1.37
10,001 to 100,000	193	8.87	5,669,163	3.26
100,001 to less than 5% of issued shares	74	3.40	49,932,269	28.74
5% and above of issued shares	1	0.05	115,362,295	66.39
Total	2,175	100.00	173,751,888	100.00

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	66.39	-	-

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Zakri Bin Mohd Khir	100	^	-	-
Ong Eng Chow	100	^	-	-

^ Negligible

3. ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2017 (CONTINUED)

3.1 ORDINARY SHARE (CONTINUED)

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

	Name of Shareholders	No. of Shares Held	% of Shares
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	115,362,295	66.39
2	Pertubuhan Keselamatan Sosial	4,990,922	2.87
3	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	4,290,500	2.47
4	Amanahraya Trustees Berhad Public Smallcap Fund	3,020,200	1.74
5	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,742,800	1.58
6	Kumpulan Wang Persaraan (Diperbadankan)	2,291,400	1.32
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	2,230,000	1.28
8	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	1,919,700	1.10
9	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	1,845,200	1.06
10	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 9)	1,492,300	0.86
11	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	1,389,025	0.80
12	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund	1,350,000	0.78
13	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Income Fund (4850)	1,331,575	0.77
14	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	1,263,000	0.73
15	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd For Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,230,000	0.71
16	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	1,005,750	0.58
17	Nahoorammah A/P Sithamparam Pillay	824,000	0.47
18	Cartaban Nominees (Tempatan) Sdn Bhd PAMB for PRUlink Equity Income Fund	817,600	0.47

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2017 (CONTINUED)

3.1 ORDINARY SHARE (CONTINUED)

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS (CONTINUED)

Name of Shareholders	No. of Shares Held	% of Shares
19 CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	808,100	0.47
20 Lim Su Tong @ Lim Chee Tong	802,000	0.46
21 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	705,600	0.41
22 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	592,155	0.34
23 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)	568,900	0.33
24 Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment - HW Flexi Fund (270519)	563,000	0.32
25 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (F Templeton)	526,500	0.30
26 AMSEC Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Lim Su Tong @ Lim Chee Tong (8335-1101)	500,000	0.29
27 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Deutsche Trustees Malaysia Berhad for Affin Hwang Select Asia Pacific (Ex Japan) Dividend Fund	446,800	0.26
28 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for AMB Dividend Trust Fund (5428-401)	426,200	0.25
29 DB (Malaysia) Nominee (Asing) Sdn Bhd State Street London Fund MJEM for Mercer Investment Fund 1 (Mercer QIF Fund)	426,000	0.25
30 Jaya Kumar A/L Ganason @ Kanajan	400,000	0.23

3. ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2017 (CONTINUED)

3.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Class of Shares : Preference shares

Voting Rights : The ICPS holders shall carry no right to vote at any general meeting of the Company except for the following circumstances:-

(a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;
(b) on a proposal to wind-up the Company;
(c) during the winding-up of the Company;
(d) on a proposal that affect the rights attached to the ICPS;
(e) on a proposal to reduce the Company's share capital; or
(f) on a proposal for the disposal of the whole of the Company's property, business and undertaking.

In any such cases, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and exercise 1 vote for each ICPS held.

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	% of ICPS Holders	No. of ICPS Held	% of ICPS
Less than 100	21	3.21	484	0.00
100 to 1,000	339	51.76	86,909	0.05
1,001 to 10,000	177	27.02	649,474	0.38
10,001 to 100,000	84	12.82	2,499,791	1.45
100,001 to less than 5% of issued ICPS	33	5.04	25,014,371	14.50
5% and above of issued ICPS	1	0.15	144,202,868	83.62
Total	655	100.00	172,453,897	100.00

DIRECTORS' HOLDINGS IN ICPS

Name of Directors	Direct Interest		Indirect Interest	
	No. of ICPS Held	% of ICPS	No. of ICPS Held	% of ICPS
Zakri Bin Mohd Khir	200	^	-	-
Ong Eng Chow	100	^	-	-

^ Negligible

THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS

	Name of ICPS Holders	No. of ICPS Held	% of ICPS
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	144,202,868	83.62
2	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,624,400	3.26
3	Pertubuhan Keselamatan Sosial	4,532,500	2.63
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,458,500	2.01
5	Amanahraya Trustees Berhad Public Smallcap Fund	2,771,000	1.61

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 21 MARCH 2017 (CONTINUED)

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

THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS (CONTINUED)

	Name of ICPS Holders	No. of ICPS Held	% of ICPS
6	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	1,556,458	0.90
7	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	687,900	0.40
8	Neoh Choo Ee & Company, Sdn. Berhad	627,500	0.36
9	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Rendement	600,000	0.35
10	Sai Yee @ Sia Say Yee	574,900	0.33
11	Olive Lim Swee Lian	505,000	0.29
12	Au Yong Mun Yue	500,000	0.29
13	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	300,463	0.17
14	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	285,700	0.17
15	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Keat	220,000	0.13
16	Loh Chai Kiam	219,000	0.13
17	AMSEC Nominees (Tempatan) Sdn Bhd AmBank (M) Berhad for Lim Su Tong @ Lim Chee Tong (8335-1101)	200,000	0.12
18	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
19	Dynaquest Sdn. Berhad	192,000	0.11
20	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Noble Sound Sdn Bhd (PB)	175,000	0.10
21	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	150,000	0.09
22	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Beh Lee Fong (E-SS2)	139,000	0.08
23	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yong Chen Kong @ Joseph Yong	136,800	0.08
24	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad for Malaysian Timber Council	136,750	0.08
25	Maybank Securities Nominees (Asing) Sdn Bhd Maybank Kim Eng Securities Pte Ltd for Kegani Pacific LTC Fund L. P.	133,100	0.08
26	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad for Malaysian Timber Council (Operating Fund)	130,000	0.08
27	Lim Tean Kau	126,000	0.07
28	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Kathryn Ma Wai Fong (PB)	125,000	0.07
29	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hii Yu Ho	125,000	0.07
30	Evergreen Angle Sdn Bhd	123,000	0.07

4. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2016 OWNED BY THE GROUP

No.	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Wilayah Persekutuan	Office/ Investment properties	Freehold	3,731	Corporate office	15 years	4/7/2016	43,810
2	Wisma Allianz No. 33, Jalan Gereja 50100 Kuala Lumpur Wilayah Persekutuan	Branch office	Lot PT1-Leasehold Expiring 6/9/2072	3,672	Office building	33 years	17/10/2016	4,745
			Lot 263 Freehold			35 years	17/10/2016	7,680
3	Wisma Allianz Life No. 11, 12, 13 and 14 Jalan 53, Desa Jaya Commercial Centre Taman Desa, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 8/3/2081	2,500	Terrace shop / office	31 years	29/9/2015	8,585
4	No. 42 & 46, Jalan Tiara 2C Bandar Baru Klang, Klang 41150 Selangor Darul Ehsan	Branch office	Leasehold Expiring 8/5/2093	1,228	Terrace shop / office	14 years	26/11/2015	4,837
5	Unit Nos. A-G-1, A-1-1, A-2-1, A-2-2 Block A, Greentown Square Jalan Dato' Seri Ahmad Said, Ipoh 30450 Perak Darul Ridzuan	Branch office/ Investment properties	Leasehold Expiring 01/10/2102	884	Commercial building	11 years	29/9/2015	2,917
6	No. 1, Phase 4A, Metro Prima Business Centre Jalan Prima 9, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 28/4/2096	1,195	Terrace shop / office	19 years	17/10/2016	2,642
7	Lot 30, Block E Sedco Complex, Jalan Albert Kwok Locked Bag 69 Kota Kinabalu, 88000 Sabah	Branch office	Leasehold Expiring 31/12/2073	457	4-storey office building	34 years	17/10/2016	2,569
8	HS (D) 39878, Lot No. PTD 17887 Mukim of Plentong,No. 84, Jalan Serampang, Taman Pelangi, 80400 Johor Bahru.	Branch office	Freehold	534	3-storey terrace office	38 years	17/10/2016	2,448
9	No.15, Jalan 8/1D Section 8, Petaling Jaya 46050 Selangor Darul Ehsan	Branch office	Leasehold Expiring 7/8/2066	697	Terrace shop / office	50 years	17/10/2016	2,192
10	No. 487, Jalan Permatang Rawa Bandar Perda Bukit Mertajam, 14000 Penang	Branch office	Freehold	758	4-storey shop office	18 years	25/11/2015	2,057

ADDITIONAL COMPLIANCE INFORMATION

5. 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 2016 were as follows:-

	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
a)	Reinsurance arrangements between the Company's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangements entered into between the parties*	**Allianz SE Group	(281,410)
b)	Payment of annual maintenance and support fees by the Company's life insurance subsidiary to Allianz Managed Operations And Services SE ("AMOS") for the software system provided by AMOS	**AMOS	(558)
c)	Payment of fees by the Company's life insurance subsidiary to IDS GmbH ("IDS") for conducting performance attribution analysis	**IDS	(15)
d)	Payment of fees by the Group to AMOS for sharing of Allianz Worldwide Intranet Network	**AMOS	(178)
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	35,194
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	(2,901)
g)	Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(2,368)
h)	Payment of service fees by the Company's general insurance subsidiary to Mondial Assistance Services (Malaysia) Sdn Bhd ("Mondial") for road assistance services provided by Mondial to the policyholders of the Company's general insurance subsidiary	**Mondial	(7,940)
i)	Payment of fees by the Group to AMOS for sharing of Human Resource database platform	**AMOS	(84)
j)	Payment of fees by the Company's insurance subsidiaries to AMOS for purchasing of various software licenses	**AMOS	(494)
k)	Payment of fees by the Company's insurance subsidiaries to RCM Asia Pacific Limited ("RCM") for sharing of AGI Global Bloomberg Asset & Investment Manager database, IT support, maintenance and execution of equity transactions provided by RCM to the Company's insurance subsidiaries	**RCM	(261)
l)	Operational fees received by the Company's general insurance subsidiary for the services rendered to Euler Hermes Singapore Services Pte Ltd ("EHS")	**EHS	1,614
m)	Payment of Relationship Manager fees for the services provided by Allianz SE Singapore Branch ("AZAP") to the Company's life insurance subsidiary in relation to the bancassurance partnership between the Company's life insurance subsidiary and HSBC Bank Malaysia Berhad	**AZAP	(754)
n)	Payment of fees by the Company's insurance subsidiaries to Allianz Investment Management SE ("AIM SE") and IDS for IT Infrastructure and operational investment controlling and support services	**AIM SE	(219)
o)	Payment of fees by the Group to AMOS for the usage of TeamMate Solution	**AMOS	(45)
p)	Fees received by the Company for the provision of the regional audit services by the Company to AZAP	**AZAP	1,114
q)	Payment of fees by the Company's insurance subsidiaries to AIM SE for supporting advisory services in various areas of the investment process	**AIM SE	(95)
r)	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	299
s)	Engagement of AMOS, Munich branch Wallisellen ("AMOS CH") for the support and maintenance support service on Expert Underwriting System	**AMOS CH	(155)
t)	Payment of fees by the Company's life insurance subsidiary for sharing of Global Procurement (excluding IT) services and support rendered by Allianz SE	**Allianz SE	(181)
u)	Payment of fees by the Company's insurance subsidiaries to AZAP for the business building advisory services provided by AZAP	**AZAP	(23,062)

NOTE:-

* As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.

** Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.

Simplicity

We provide fast and simple
online insurance solutions

Affordable Life Insurance Plan

Household Contents and Personal Effects

Personal Accident Coverage

Snatch Theft Coverage

Flight Delay Plan

Daily Hospital Income Plan

Car Assistance Programme

MEDIA HIGHLIGHTS

PROPERTY AND CASUALTY OPERATIONS

Service is king for Allianz's PWD agent Ismail Azmi

KERTEH: Ismail Azmi is a Person with Disabilities (PWDs) and an Allianz General Insurance Company (Malaysia) Berhad agent.

It was 2009, the eve of Hari Raya Aidilfitri, Ismail was driving along the East Coast Expressway with his seven-month pregnant wife Akma Ghazali when he dozed off and hit a tree at the Kijal exit. Akma was flung out of the car, but went on to safely deliver their son Muhammad Danial, now seven. Ismail, who wasn't wearing his seatbelt, suffered a spinal cord injury and was left paralysed from the waist down.

The former offshore engineer turned to insurance as a means to earn a living. He took over a pre-existing insurance office and built his business from scratch as the previous owner had ran it to the ground. Ismail knuckled down and used his own life experience whilst offering simply the best value for his customers.

"When I had my accident, Akma and I had only married for less than a year and we had a newborn. Going through my insurance claim was a journey through hell because I knew nothing about my coverage and what I could claim on. It was a sharp learning curve for my wife and I," said Ismail.

"People often forget that insurance is a service and I never want my clients to experience what I did. That's why I take the time to explain their policies, even when they say, it's okay and that they trust me. I will explain to them every detail because I want them be well-informed and to make wise decisions. I believe quality in service is not about what I give the customer, but what the customer gets out from me," added Ismail.

The 33-year-old had a long and arduous road for the past eight years, earning just RM400 in his first month as an agent. In his first year, Ismail managed just 70 cases but steadily grew it to 350 cases a month.

"All my effort is for my wife and son. I want them to have a comfortable life and if there is anyone out there that thinks their life is in a rut, that it is impossible to bounce back, I want to tell them: the only thing stopping you is yourself. There will be hard days, dark days, but nothing is impossible. You just have to keep knocking down that door," said Ismail.

Kuantan Branch Manager Sheena Chua who visited him to present him with a new laptop said : "I've never seen a person as hardworking as Ismail. He and his wife are truly an inspirational couple - the teamwork and synergy they display is amazing. I feel truly blessed to have an agent of his caliber and just a strong, inspiring person. I hope he encourages people out there to dare to live their life to the fullest."

Ismail's future plans include expanding his business by opening up a new office in Kuala Terengganu.

ISMAIL (left) together with his son Muhammad Danial (second left) and Akma (background) is presented with a new laptop by Allianz General Insurance Company (Malaysia) Berhad's Kuantan Branch Manager Sheena Chua (third left) and marketing executive Rahiman Mohd Hata (right).

Pengurusan risiko Allianz General lindungi perniagaan anda

FROM LEFT: Lui Mei Lian (Allianz General Insurance Company (Malaysia) Berhad's East Malaysia Regional Manager's Personal Assistant), Lee Kin Meng (Allianz General's Area Manager for Tawau, Sandakan and Lahad Datu), Michael Au (Allianz General's East Malaysia Regional Manager) Choo Oh Soon (Managing Director of Heng Say Enterprise Sdn Bhd) and Liew King Hee (Allianz General agent).

Allianz General delivers on its promise

TAWAU: Allianz General Insurance Company(Malaysia) Berhad paid out an interim payment of RM500,000 to Heng Say Enterprise Sdn Bhd.

The company which manufactures egg trays suffered extensive fire damage when a fire broke out at their factory on 28 June 2016 at 1.30pm.

The fire had originated from the rear of the warehouse.

Michael Au, East Malaysia Regional Manager of Allianz General Insurance Company (Malaysia) said: "Allianz prides itself on being a trusted partner to its customers. Heng Say Enterprise has been with us for seven years and we wanted to repay their trust with a quick payout.

"Customers are the reason we exist and it is important that we nurture and grow that relationship by providing exceptional customer experience simply by consistently doing ordinary things, in an extraordinary way."

1 **Claims caravan on the go**

(From left) Malaysian Broadwide Adjusters Kuantan branch manager Ong Chin Seng; Allianz General Insurance Company (Malaysia) Bhd (Allianz General) head of claims Jayapragash Amblavanar; Non-Motor Claims examiners Raju P. Govindarajan, Soh Eng Hock and Elvis Mun; MBA Non-Motor Division deputy general manager Lim Wei Chong; and caravan owner Chan Kow Wing at the launch of Allianz's claims caravan. Allianz General mobilised a claims caravan to flood-prone areas in the East Coast region to help expedite claims during the year-end monsoon season. The caravan, seen in Allianz colours, was stationed in various cities along the east coast during the floods. Equipped with basic office facilities, the caravan helped Allianz General policyholders who lodged claims for their homes affected by the floods.

ParkEasy with Allianz

KUALA LUMPUR: Easy, safe and insured parking is now available with ParkEasy.

Allianz General Insurance Company (Malaysia) Bhd recently teamed up with the peer-sharing app which offers fuss-free parking solutions to provide its users with Break-In Protection by Allianz.

The protection covers up to RM1,500 in losses or damage when their vehicles park using the app.

"We have all seen this sign before: 'Vehicles and their contents are left in this car park at the owner's own risk'. In providing simply the best value for customer, we have teamed up with ParkEasy to offer its users a worry-free parking experience knowing their vehicles are being protected by Allianz," said Linda Lor, head of digital innovation and special projects at Allianz General.

"ParkEasy users can be assured their vehicles are protected from break-ins so long as they use the app in securing a legal parking bay at their location (with access to the user's device location permission) and that they are insured for the duration of their parking," Lor added.

The ParkEasy app links up drivers who are looking for parking spots (Parkers) with drivers who are about to exit their parking spots (Leavers).

Parkers will use ParkEasy

credits to find parking, and will earn back these credits when they become Leavers creating a convenient, mutually beneficial alliance for a common everyday problem.

"It is an easy-to-use app that saves you a lot of time and hassle. But we knew providing protection was an important service that would elevate the ParkEasy experience. And in partnering with Allianz General, we are now able to protect our users throughout their parking journey. So, it really is a win-win for users," said Warren Chan, CEO of ParkEasy.

Insurance for services hired via online platform

RecomN.com teams up with Allianz General Insurance Company (Malaysia) Bhd to offer protection for customers and service professionals

Allianz Malaysia Launches Allianz Emergency Protection Nationwide Road Tour 2016

Allianz Malaysia is starting 2016 with renewed vigour in championing a healthier lifestyle amongst Malaysians with the launch of the Allianz Emergency Protection Nationwide Road Tour 2016.

From January to September this year, Allianz Malaysia will work together with CIMB Group where the Allianz Explorer truck will travel to CIMB branches in cities across Peninsular Malaysia promoting awareness on health and healthy living.

The truck will be stationed at each location from 10am to 5pm offering patrons a chance to take part in interactive activities where they can perform Body-Mass Index (BMI) tests, take part in the Pedometer challenge, fun quizzes and participate in lucky draws on top of being able to learn more about the Company's bancasurance products.

The Allianz Explorer Truck ready its make its rounds.

Allianz General Inks Landmark MOU with MII

Insurer fast-tracks motor claim approval through new service

ALLIANZ General Insurance Company (M) Berhad's upgraded Allianz Motor ODX Claims makes it possible for one to confirm their motor claim amount within an hour.

Launched nationwide in September, the Allianz Motor ODX Claims is a straight-forward process that allows the system to confirm the claim amount without human intervention.

Instead, claims will now go through a series of rules integrated into the back-end system.

In a nutshell, a claim that previously took about three to five days to be approved can be completed anywhere between 10 minutes and one hour.

"Allianz is in the business of protection and providing simply the best value for customers.

"And what better way to put that into action than with the Allianz Motor ODX Claims," said head of claims Jayapragash Amblavanar.

Jayapragash says Allianz understands that with claims, customers are looking for service that is fast, fair and accurate.

The Allianz Motor ODX Claims promises to improve the company's turn-around time for OD (own-damage) claims approval, end-to-end Motor OD Claims Process and improve overall customer satisfaction.

As of Nov 3, Allianz General had processed 1,211 claims through the Allianz Motor ODX Claims system.

"We understand that with claims, customers are looking for a service that is fast, fair and accurate," said Jayapragash.

"The Allianz Motor ODX Claims delivers that through its speedy claims approval and quick turn-around time.

"Now, our customers' waiting time (to find out the outcome of the claim) has been slashed by more than half and their cars are being repaired so much quicker. It's an ideal claims journey in an imperfect world," he added.

The Allianz Motor ODX Claims is applicable for all claims estimated below RM15,000 (including GST) that are submitted from Allianz Authorized Panel Repairers nationwide.

Allianz General pays out on fire damage

MEDIA HIGHLIGHTS

LIFE OPERATIONS

Allianz launches new digital agency model

(From left) Senior manager of Allianz Masters, Allianz Asia Pacific Steven Wong, Head of Allianz Masters Allianz Asia Pacific Koh Hong Kwan , Allianz Life Insurance Malaysia Bhd chief sales officer Ong Pin Hean and Allianz Life Insurance Learning and Development head Hooi Wai Sum during the launch of Allianz Masters' Academy of Excellence

ALLIANZ Group in Asia Pacific has launched Allianz Masters, a regional training programme aimed at professional development. The structured programme by LIMRA, a worldwide research, learning, and development organisation is a strategic initiative to provide Allianz agents with professional development in building towards Allianz's new digital agency model in the region. Allianz Asia-Pacific chief distribution officer Lars Heibutzki said Allianz Masters underpins the company's commitment in providing customers with "distinguished service and support, while also laying a strong foundation for our new digital agency model in Asia Pacific". Allianz Masters kicked off in Shanghai in May this year and is being rolled out to other core markets within Asia Pacific. Apart from obtaining an internationally recognised certificate through the Allianz Masters, agents will also gain access to best practices from the sharing of ideas within its strong global network as well as a sharing community and e-learning platform "that never sleeps".

Allianz Life targets 10,000 clients for new savings plan

KUALA LUMPUR: Allianz Malaysia Bhd's (AMB) wholly-owned unit, Allianz Life Insurance Malaysia Bhd (Allianz Life), is eyeing more than 10,000 clients for its new universal life savings plan called "Allianz PrimeSaver" in the first year.

Allianz Life's Strategy and Product Division chief product officer Chin Tze How said it is an affordable entry-level insurance plan requiring a minimum of RM200 a month.

"We want to attract young Malaysians, especially the Gen Y between 21 and 35 years old to start saving again.

"Allianz PrimeSaver provides the flexibility in choosing the preferred premium payment terms of six to 20 years and a coverage of 20 to 30 years. The fund can either be withdrawn or re-invested with Allianz," he said at the launch of the product here, yesterday.

Chin said the company was confident of achieving its target.

He said the Allianz PrimeSaver would also come with an annual guarantee cash payment (GCP) of 10 per cent for the first 10 years and 20 per cent from years 11 to 20.

"Customers will start receiving the GCP payment at the end of the first year."

AMB chief executive officer Zakri Khir, said Allianz PrimeSaver is the first insurance plan introduced by Allianz Life this year.

"We might introduce another new plan by year-end," he said. Bernama

(From left) Allianz Life Insurance Malaysia Bhd's Strategy and Product Division chief product officer **Chin Tze How**, Allianz Life senior executive **Joseph Gross** and Allianz Malaysia Bhd chief executive officer **Zakri Khir** at the launch of the Allianz PrimeSaver plan yesterday. Pic by Hafiz Sohaimi

Saving makes a lot of cents

Insurance firm's new plan helps people put cash away for a rainy day

LIAM appoints Joseph Gross management committee member

KUALA LUMPUR: The Life Insurance Association of Malaysia (LIAM) has appointed Joseph Gross, Chief Executive Officer of Allianz Life Insurance Malaysia Bhd, as a new member of its management committee for the 2016/2017 term.

In a statement yesterday, LIAM said, Gross, a Business Administration graduate from University of Frankfurt, Germany, started his career with Procter & Gamble, a leading global fast-moving consumer goods company in 1991.

In 2002, he joined Allianz SE in Germany as Senior Vice President, Group Marketing.

"Gross was instrumental in building Allianz into a strong global brand as well as introducing customer- and market-driven strategic planning to the group," it said. — Bernama

EPF 'inadequate for retirement'

Malaysians need to plan from now or risk scraping the bottom of the pension pot in their golden years, says expert

Allianz PremierLink tawar perlindungan hayat sehingga RM1 juta

KUALA LUMPUR – Allianz PremierLink bakal memberi perlindungan insurans hayat kepada pelanggan sehingga RM1 juta untuk meringankan beban kewangan waris memandangkan kos sara hidup yang tinggi sekarang.

Ketua Pegawai Eksekutif Allianz Life, Joseph K. Gross (**gambar**) berkata, berbanding pelan perlindungan insurans hayat di pasaran semasa, perlindungan yang ditawarkan kepada pelanggan ialah kira-kira RM120,000 sahaja.

"Rakyat Malaysia sering berasa bimbang tentang kewangan waris apabila mereka meninggal dunia terutamanya jika mereka adalah penanggung tunggal.

"Sehubungan itu, melalui Allianz PremierLink, ia akan membantu melindungi waris.

"Rata-rata waris akan hanya memperoleh perlindungan insurans hayat kira-kira RM120,000 dan ia tidak mencukupi untuk meringankan beban kewangan keluarga memandangkan kos sara hidup yang tinggi," katanya dalam kenyataan yang dikeluarkan di sini semalam.

Joseph menjelaskan, bersempena pengenalan Allianz PremierLink, syarikat menawarkan mereka yang berumur antara 16 hingga 50 tahun dengan sejarah kesihatan yang baik untuk mendapatkan manfaat daripada jumlah yang diinsuranskan sehingga RM4 juta tanpa melalui pemeriksaan kesihatan.

"Bagi mereka yang berusia antara 51 hingga 60 tahun, jumlah diinsuranskan pula ialah sehingga RM3 juta," ujarnya.

Allianz PremierLink melengkapi produk-produk Allianz Life yang lain termasuk Allianz PrimeSaver (simpanan), Medisafe Infinite (perubatan) dan Primecare (penyakit kritikal).

MEDIA HIGHLIGHTS

ALLIANZ FINANCIALS

Allianz Q3 pre-tax profit rises to RM109.27 mln

KUALA LUMPUR: Allianz Malaysia Bhd's pre-tax profit for the third quarter ended Sept 30, 2016 rose to RM109.27 million from RM97.36 million registered in the same period last year.

Revenue increased to RM1.15 billion, for the quarter under review, from RM1.13 million previously, it said in a filing to Bursa Malaysia Tuesday.

The stronger performance was driven by higher gross earned premiums and investment income.

On outlook, Allianz said it was confident the group's insurance businesses would remain resilient.

"Necessary measures have been put in place to ensure that the group will achieve satisfactory results," it added. –Bernama

ALLIANZ末季净利扬4.3%

（吉隆坡24日讯）ALLIANZ（ALLIANZ，1163，主板金融股）宣布，截至12月31日末季净利扬4.3%，达8997万9000令吉；营业额涨3.5%，报12亿1097万5000令吉。

全年而言，净利增长1.1%，写3亿1213万1000令吉；营业额走高3.5%，报46亿7848万6000令吉。

该公司今日向马交所报备，ALLIANZ的营运收入扬升3.5%，达46.8亿令吉，因保险业务和投资收入走高。

其中，普险营运收入微跌1.5%，因保费减少，归咎于汽车销量低迷导致车险业务疲

扎克里

通过文告表示，去年是充满挑战的一年，但公司仍录得41.8亿令吉的总保费（GWP）。

Allianz Malaysia a net beneficiary of higher bond yields

Allianz Malaysia Bhd

FYE DEC (RM MIL)	2014A	2015A	2016E	2017E	2018E
Gross written premiums	3,968.1	4,132.6	4,118.0	4,193.5	4,239.7
Net earned premiums	3,254.3	3,504.3	3,616.5	3,695.3	3,753.6
Core net profit	295.9	308.9	302.7	317.5	334.1
Core FDEPS growth (%)	45.7	4.0	(1.9)	4.9	5.2
Core FD PER (x)	11.4	11.0	11.2	10.6	10.1
P/BV (x)	1.5	1.3	1.2	1.0	0.9
Net dividend yield (%)	0.5	0.7	0.7	0.8	0.8
Book value (RM)	6.61	7.57	8.44	9.45	10.53
ROAE (%)	13.7	12.6	10.9	10.2	9.7
ROAA (%)	2.6	2.4	2.1	2.0	1.9

Source: Maybank IB Research

Allianz Malaysia sees RM2.11 billion in GWP for 1H

KUALA LUMPUR: Allianz Malaysia Bhd (Allianz Malaysia) recorded a total of RM2.11 billion in gross written premiums (GWP) from January to June this year as compared to RM2.09 billion in the corresponding period last year.

Total assets grew 11.6 per cent to RM14.36 billion as of first six months of 2016 as compared to RM12.87 billion last year while profit before tax stood at RM221.7 million in the first six months of 2016 as compared to RM213.[illegible] million in the six months of 2015, an increase of 4.9 per cent.

Allianz chief executive officer Zakri Khir said, "Allianz Malaysia displayed generally good results the first half of 2016 amidst a moderate economic expansion that has brought in mixed results. Despite the economic slowdown, Allianz will continue to provide simply the best value for customers through smart, customer-savvy products and superior service."

The group's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Bhd (Allianz General) recorded RM1.09 billion in GWP in the first six months of 2016, a 5.7 per cent drop from RM1.15 billion compared to the corresponding period last year due to weaker market sentiments.

Nevertheless, Total Assets grew by 4.9 per cent, rising to RM5.76 billion as of first six months of 2016 from RM5.49 billion in last year's corresponding period.

Underwriting Profit was at RM94.9 million in the first six months of 2016 as compared to RM97.0 million in 2015, while Profit Before Tax was at to RM172.7 million in the first six months of 2016 as compared to RM161.0 million in the previous year.

Combined Ratio for the first six months of 2016 remained below 90.0 per cent, standing at 89.1 per cent.

Allianz General maintains its position as one of the leading general insurers in Malaysia with a market share [illegible] quote on four products Enhanced Road Warrior, Allianz Shield, ATM Shield and Home Shield using their desktop, tablet or mobile device.

Customers now have the power to decide and the platform's dual-function also assists agents to lead generation, added Zakri, who is also the CEO of Allianz General.

The group's life insurance subsidiary, Allianz Life Insurance Malaysia Bhd (Allianz Life) continued to grow, recording a 10 per cent increase in GWP to RM1.03 billion in the first six months of 2016 from RM935.1 million in 2015.

New business premiums also grew 5.6 per cent to RM174.7 million from January to June [illegible]

Growing with Innovative Solutions

By keeping up with the time and ensuring customers always come first, Allianz's industry leading customer outreach and niche products that cater to market demand are making it a success story.

By Tony Goh

Chief Operating Officer, Allianz Malaysia Bhd, Sean Wang

Allianz SE sees 4.2% GDP growth this year

> Smaller increase on external conditions, political uncertainties and moderating private consumption

Allianz Malaysia remains cautious

> Insurer aiming for single-digit increase in investment income this year

Allianz Langkawi nets RM2.6m in premiums

KUALA LUMPUR: Allianz General Insurance Co (M) Bhd's branch in Langkawi has recorded RM2.6 million in gross written premiums in the first half of this year, with an underwriting profit of RM564,687 and combined ratio of 96.1 per cent.

Branch manager for Alor Star, Cheah Lye Cheong, said the branch, which was opened about a year ago, provided general assurance services and served about 3,000 customers.

He said 90 per cent of the customers were motor policyholders and the branch had been receiving positive feedback from customers who were happy to have direct access to their insurer for advice and assistance related to their policies.

"We have two employees who see to the needs of our customers here. Like many of our other general insurance branches, customers can renew their road tax and purchase travel insurance, among others," said Cheah.

"It can save a lot of time for our customers and most importantly provide convenience for them and our valued agents," he added.

Allianz began operations in Malaysia in 2002 and has 38 branches nationwide.

Allianz gets BNM nod for talks on HSBC Amanah Takaful

PETALING JAYA: Allianz Malaysia Bhd has received the green light to begin talks to acquire HSBC Amanah Takaful (Malaysia) Bhd.

In a filing with the stock exchange last Friday, Allianz said Bank Negara Malaysia (BNM), via a letter dated Oct 26, said it has no objection in principle for Allianz to start negotiations with HSBC Insurance (Asia Pacific) Holdings Ltd, JAB Capital Bhd and the Employees Provident Fund board on the proposed acquisition.

The negotiations must be concluded within six months from Oct 26.

Pursuant to the Islamic Financial Services Act 2013, parties concerned are required to obtain prior written approval from BNM on the recommendation of BNM, as the case may be, before entering into any agreement to effect the proposed acquisition.

MEDIA HIGHLIGHTS

BEST ALLIANZ

ALLIANZ CLOSES MALAYSIAN DAY CELEBRATIONS

Allianz Malaysia and 200 of its employees ended their Malaysia Day celebrations with a screening of a well-loved Malaysian movie, namely Ola Bola, and a batik drawing session. Apart from that, the company also carried out various activities involving all employees nationwide to lead up to the occasion.

"In borrowing from Allahyarham Y.M. Tunku Abdul Rahman Putra Al-Haj (ibni) Almarhum Sultan Abdul Hamid Halim Shah), no matter the colour, creed of religion, we are all Malaysians. Malaysia was built from unity and moderation, so let us not lose that. Recognise it, embody it and remind yourself what it means to be truly Malaysian," says Zakri Khir, CEO of Allianz Malaysia Berhad and Allianz General Insurance Company (Malaysia) Berhad.

It's a woman's world at Allianz

Women make up some 68% of insurance company's workforce, way above the 54.1% female workforce participation rate in the country

DIVERSITY has always been an integral part of Allianz Malaysia's story, with 68% of women making up the 1,861-strong workforce at Allianz Malaysia.

In Malaysia, female participation in the workforce climbed to 54.1% in 2015, an increase of 750,000 women from 46.8% in 2010. According to Bursa Malaysia, last year, 28.4% of top management positions in the top 100 public-listed companies (PLCs) were held by women, an increase of 4.4% since 2013.

"We have always been committed towards diversity and career development for women.

"For a good 10 years now, women in our talent pool have excelled in showcasing leadership culture that has seen them rise up the ranks and assuming decision-making roles," said Allianz Malaysia Bhd human resources head Wong Woon Man.

"It always makes for great conversation and most people are often impressed by our numbers."

In fact, in 2015, Allianz had more women managers in its workforce – Allianz Malaysia (69%), Allianz General Insurance Company (Malaysia) Bhd (53%) and Allianz Life Insurance Malaysia Bhd (65%), a number that has steadily grown over the years.

"At Allianz, we pride ourselves in our people and our culture. We focus on the best in people, rewarding performance and providing opportunities for learning and growth.

"Our leadership culture is one of transparency and open communication. We foster diversity and inclusiveness at the workplace, and support flexible work arrangement.

"These are some of our value propositions which have continued to attract employees to Allianz," Wong stressed.

Globally, Allianz boasts 54% of women at the workplace, with 37% of them occupying managerial roles. Also, there are at least 50% or more women in the workforce in Eastern Europe (68%), Asia Pacific (55%), South America (55%) and the rest of Europe (54%).

Wong says the women in Allianz Malaysia's talent pool have excelled in showcasing leadership culture.

#AllianzDare2bHealthy sedia penuhi 3 resolusi

When big bosses show off 'teh tarik' skills

Allianz Malaysia pupuk keterangkuman melalui pengambilan kakitangan OKU

Allianz Malaysia unveils customer service counter to celebrate Allianz Day

KUALA LUMPUR: Allianz Malaysia Berhad unveiled a brand new customer touch point at the head office in Menara Allianz Sentral yesterday in celebration of Allianz Day.

Allianz Malaysia hosts Al-Fresco Cinema Night

Allianz Malaysia launches a new campaign to encourage people

Dare to dream big

Hoping to inspire a running culture

Bigger turnout expected at Annual Pacer Run in Putrajaya

THE Allianz Pacer Run will return to Putrajaya, this time at the Recreational Airport in Precinct 6 on Nov 27 and hopes to attract 5,000 runners this year.

Last December, 4,000 runners hit Dataran Putrajaya, in Putrajaya, for the inaugural Allianz Pacer Run event.

The annual event is an extension of the Allianz Pacer Running Community that was launched by Allianz Malaysia Berhad in October 2013 which actively sought Malaysians interested in running and keeping fit.

"We are very happy to launch the second edition of the Allianz Pacer Run. We had such a great turnout last year that it was the easiest decision to have it for the second year running.

"We are more committed than ever in getting Malaysians outdoors and engaging in sporting activities and this has been evident through our initiatives with the Allianz Pacer Running Community with the fun runs, coaching clinics and other activities held all year round," said Allianz Life Insurance Malaysia Berhad chief executive officer Joseph Gross during the launch of the run at Menara Allianz Sentral in Kuala Lumpur.

"The whole idea behind the Allianz Pacer Run 2016 is to inspire more people to start running, start getting active and taking better care of their well-being," he added.

The Allianz Pacer Run's 12km route will feature five categories – Men's Open, Women's Open, Men's Veteran, Women's Veteran and the Corporate Challenge.

There is also a 6km Fun Run which is open to participants 16 years old and above.

Registration fee is RM30 for the Fun Run and RM55 for all the 12km categories except for the Corporate Challenge, in which the fee is set at RM1,500 per team.

The Corporate Challenge enables an organisation to register any number of teams with each team consisting of a minimum of five and not more than 10 runners.

The results will be tabulated based on the fastest overall timing of the five best runners of a team.

All registration fees from the Corporate Challenge category will be channelled to Malaysian Council for Rehabilitation; a rehabilitation services effort for persons with disabilities.

All participants who complete the run will be presented with a finisher's medal and an e-certificate, except for the Fun Run participants who will receive their certificates at the finish line.

For details and to register for the Allianz Pacer Run 2016, visit www.facebook.com/AllianzPacer or www.runnersasia.com from July 27 until Aug 27.

(From left) Gross, Allianz Malaysia Berhad chief market management officer Susan Ong and Allianz Malaysia Berhad chief executive officer Zakri Khir during the launch of the run.

Allianz Malaysia Berhad CEO Zakri Khir with the Outstanding Achievement Award by ACGCA (ASEAN Corporate Governance Conference and Awards).

Allianz Malaysia Takes Home Outstanding Achievement Award

Allianz Malaysia Berhad received the Outstanding Achievement Award at the inaugural ASEAN Corporate Governance Conference and Awards (ACGCA) in Manila, Philippines recently. Allianz was one of Malaysia's top two publicly listed companies (PLCs) in terms of most improved scores from 2013-2015 based on the results of the ASEAN Corporate Governance Scorecard (Scorecard).

MEDIA HIGHLIGHTS

ALLIANZ IN THE COMMUNITY

CALENDAR OF MOMENTS

1


2


3


4


5


6


1

JANUARY

Allianz Emergency Protection Nationwide Road Tour

On 20 January 2016, Allianz Malaysia launched the Allianz Emergency Protection Nationwide Road Tour 2016. From January to September, Allianz Malaysia worked together with CIMB Group, travelling to CIMB branches across Peninsular Malaysia promoting awareness on health and healthy living by providing Body-Mass Index (BMI) tests as well as fun activities and quizzes.

2

FEBRUARY

Allianz Malaysia charges up its digital efforts

On 15 February 2016, Allianz Malaysia unveiled electric cars leased from Cohensive Mobility Solutions (COMOS) at the Head Office in Menara Allianz Sentral, Kuala Lumpur. The three Allianz-branded Renault Zoes carry the Company's message to go 100% digital and can be reserved by employees for business use.

3

FEBRUARY

Allianz Junior Football Camp

The fifth edition of the Allianz Junior Football Camp (AJFC) 2016 was launched on 16 February 2016 with the addition of the East Coast region. This edition featured 1,440 aspiring young Malaysian footballers from 80 teams across four regions – North, Central, South and East Coast – who vied for three spots to train with record 25-time German Champions FC Bayern Munich in Munich, Germany.

4

MARCH

Dear Lady... Celebrating International Women's Day

On 8 March 2016, Allianz Malaysia celebrated International Women's Day with "Dear Lady". Allianz Malaysia employees were able to send personalised messages to women in the office who inspire them - from their bosses to even the tea lady! The two-pronged activity also saw each female employee receiving a 'sweet' token of appreciation along with an inspirational message.

5

MARCH

Spa Day with female journalists

In conjunction with International Women's Day, 23 female journalists were treated to a spa party on 8 March 2016. Held at Khareyana Spa in Petaling Jaya, the spa party gave guests a chance to take a break from their daily routine and pamper themselves in a quiet, urban sanctuary.

6

APRIL

Introducing Allianz PrimeSaver

On 6 April 2016, Allianz Life launched Allianz PrimeSaver; a new universal life savings plan that aims to attract younger Malaysians to start saving again. Malaysians simply do not save enough, so the Allianz PrimeSaver can be a great way to start building a nest egg as it provides a wide range of premium options and coverage to suit different savings needs.

CALENDAR OF MOMENTS

7

8

9

10

11

12

7

APRIL

Joseph Gross appointed new CEO of Allianz Life

Joseph Gross was formally appointed as CEO of Allianz Life with effect from 20 April 2016 following the approval received from Bank Negara Malaysia. Gross has over 14 years of experience with Allianz and held various senior management positions within the Allianz SE Group. Prior to his appointment as CEO of Allianz Life, he was the Head of Group Market Management of Allianz SE.

8

MAY

Allianz Charity Day

On 7 May 2016, Allianz Life organised an Allianz Charity Day where the Company was joined by 90 affiliated agencies and their agents in tree planting activities, blood donation drives and visits to orphanages and old folks homes.

9

MAY

National Marketing Convention

The charming city of Guilin, in North Guangxi, China was the venue for this year's National Marketing Convention from 17-21 May 2016. The convention saw about 300 Allianz General agents and employees converge in a city well known for its breathtaking landscape of limestone karst.

10

JUNE

#AllianzDare2bHealthy fulfils three resolutions

On 24 June 2016, Allianz Malaysia revealed Zurina Omar, Jordan Lo Jo Zheng and Umadevi Vengdesh as the winners of the #AllianzDare2bHealthy challenge. The winning trio later in the year fulfilled their resolutions to run 8km in 60 minutes, become a certified diver and complete a trek through Annapurna, Nepal respectively.

11

JULY

Allianz Life launches Allianz Masters for agents

On 13 July 2016, Allianz Life announced its Allianz Masters regional training programme aimed at professional development for agents. First ever to be launched by the Allianz Group in Asia Pacific, the structured programme by LIMRA, a worldwide research, learning and development organisation helps Allianz agents move towards distinguished service and support and a highly professional agency force.

12

JULY

Allianz Day

On 20 July 2016, Allianz Malaysia unveiled a brand new customer touch point at its head office in Menara Allianz Sentral in celebration of Allianz Day. Customers were are able to walk-in with queries for non-payment services such as claims and products as well as submit or collect their documents. The counter also features a secure 24-hour mail-drop box.

CALENDAR OF MOMENTS

13

AUGUST

Get a fast quote with Allianz General

On 1 August 2016, Allianz General launched Allianz Online (quote.allianz.com.my) on the corporate website which allows customers to obtain an insurance quotation from their desktop, tablet or mobile device to purchase an insurance policy. The products featured are Enhanced Road Warrior, Allianz Shield, ATM Shield and Home Shield.

14

AUGUST

Allianz Malaysia's School Shoes Project

Allianz Malaysia delivered school shoes to underserved communities in East Malaysia as part of its School Shoes Project. In August, 5,468 pairs of shoes were delivered to primary school children in Sabah; while in October 4,073 pairs of shoes were delivered to 20 primary schools in Sarawak. The recipients were identified by the respective state education departments.

15

SEPTEMBER

A whole lotta fun at the Allianz Crazy Games!

Twenty-five bloggers and their friends had the time of their life at Allianz Malaysia's Allianz Crazy Games on 3 September 2016. The Olympic-inspired treasure hunt which celebrated the spirit of sportsmanship, camaraderie and fellowship, attracted a total of 25 teams-of-threes (with at least one member in each team being a blogger). The teams then travelled in and around Klang Valley by Light Rail Transit (LRT) or KL Monorail to complete tasks at nine clue stations.

16

SEPTEMBER

***Ola Bola* and *Teh Tarik* to celebrate Malaysia Day**

Allianz Malaysia celebrated Malaysia Day with seven fun activities including a screening of the hit Malaysian movie Ola Bola, batik drawing and a teh tarik competition among the top four senior management officials judged by Allianz Malaysia's resident tea lady and two other employees.

17

OCTOBER

Allianz Malaysia hosts Al-Fresco Cinema Night

Allianz Malaysia hosted its first-ever outdoor movie screening at Dataran Petaling Jaya, on 1 October 2016. Exclusive for its Facebook fans, the screening featured a family-friendly selection of Kung Fu Panda 1 and Kung Fu Panda 3 back-to-back. During the event, moviegoers joined in some exciting games and also enjoyed complimentary popcorn!

18

OCTOBER

New brand campaign - *Courage Never Fails*

Allianz Malaysia launched its new brand campaign *Courage Never Fails* on 27 October 2016. In staying true to Allianz's global brand positioning "Dare to. We're with you", Allianz Malaysia hopes to foster the extraordinary, courageous spirit of everyday Malaysians through the *Courage Never Fails* campaign. The campaign was launched with the release of a television commercial (TVC) and three product films on social media platforms (YouTube and Facebook).

CALENDAR OF MOMENTS

19

20

21

22

23

19

OCTOBER

Allianz Life agents Drive to the Track with Nico and Lewis

On 1 October 2016, Allianz Life agents Sim Kim Mui and Hoo Kok Wah shared a car ride with Mercedes drivers Nico Rosberg and Lewis Hamilton respectively from the Sama Sama Hotel in Sepang to the Sepang race track. Sim and Hoo, both high-achieving Allianz Life agents were treated to Allianz Malaysia's "Drive to the Track" experience ahead of the Malaysian Grand Prix 2016.

20

OCTOBER

Allianz Sarikei relocates to serve customers better

Allianz General's Sarikei branch relocated to a new premise along Jalan Nenas on 10 October 2016. The branch has a total of 14 employees and 88 agents who readily provide service to customers in Sarikei from the renewal of motor insurance to purchase of travel insurance. The Sarikei branch was previously located along Repok Road.

21

OCTOBER

Zika Benefit for pregnant Allianz employees through Allianz Shield

On 11 October 2016, Allianz Malaysia announced that it was providing all 27 pregnant females currently employed at the Company nationwide with Zika Benefit through Allianz Shield. The Zika Benefit, which is now included in Allianz Shield, offers a lump sum of RM 5,000 compensation to the person insured should she give birth to a baby or babies with birth defects caused by the Zika Virus as certified by a medical practitioner.

22

NOVEMBER

Allianz Pacesetters run raises RM51,000 for Down Syndrome

The Allianz Pacesetters 4 x 3KM 2016 Relay Run raised RM51,000 for Down Syndrome through its Kiwanis Pace-It-Forward corporate category. Held at Padang Merbok Car Park on 5 November 2016, the unique run attracted 271 teams of four runners - including 39 corporate teams - in a fun relay race. The Allianz Pacesetters run has been an annual event organised by Allianz Malaysia together with renowned running group Pacesetters since 2014.

23

NOVEMBER

Final Townhall of 2016

In driving forward the True Customer Centricity (TCC) agenda, Allianz Malaysia organised an interactive townhall session at the Grand Ballroom at Aloft Hotel Kuala Lumpur on 15 November 2016. The session consisted of five parts, with activities surrounding TCC and its four people attributes – Customer and Market Excellence, Entrepreneurship, Collaborative Leadership and Trust.

CALENDAR OF MOMENTS

24


25


26


27


24

NOVEMBER

Golf with the Allianz

Allianz Malaysia organised its annual *Golf with Allianz* event for members of the media at the Kuala Lumpur Golf and Country Club on 16 November 2016. Allianz's senior management officials were grouped into 11 flights, together with senior editorial members from The Star, The Edge, Utusan Malaysia, Sin Chew Jit Poh, New Straits Times, Berita Harian, Malay Mail, Focus Malaysia, Harian Metro, Smart Investor, BFM, and The Sun. The top three flights were awarded trophies. Other prizes given out were for players who hit "nearest to pin", "nearest to line" and the "longest drive".

25

NOVEMBER

Allianz Courage Road Tour

Allianz Malaysia launched its nationwide Allianz Courage Road Tour on 19 November 2016 as part of the Company's new brand campaign, *Courage Never Fails*. Members of the public were able to check their Body Mass Index (BMI), consult Allianz Life agents on insurance matters, participate in a car simulator game and a mystery box game. The tour ran for almost a month in various locations nationwide.

26

NOVEMBER

Allianz Malaysia celebrates Children's Day with employees' children

On 26 November 2016, Allianz Malaysia took 25 employees and their children on a fun-filled excursion to Forest Research Institute Malaysia (FRIM) in Kepong as part of its Children's Day celebrations. The excursion was followed by a terrarium workshop run by the Malaysian Environmental Non-Governmental Organisations (MENGO) at the Kepong Branch where the children were able to make their very own terrarium (aquarium for plants) to take home.

27

NOVEMBER

Allianz Pacer Run 2016 attracts 5,000 runners

Five-thousand runners took to the Putrajaya Recreational Airfield for the Allianz Pacer Run 2016 at Precinct 6, Putrajaya on 27 November 2016. The run, which was flagged off at 7am, provided a wonderful running experience for everyone involved. The Allianz Pacer Run 2016's 12km route featured five categories including the Corporate Team category, which also raised RM15,000 for the Malaysian Council for Rehabilitation.

CALENDAR OF MOMENTS

28

NOVEMBER

Allianz Malaysia donates a Nissan Navara to PERTIWI

On 30 November 2016, Allianz Malaysia donated a Nissan Navara four-wheel drive pickup truck to Pertubuhan Tindakan Wanita Islam (PERTIWI) at Lorong Medan Tuanku 2, Kuala Lumpur. Allianz Malaysia CEO Zakri Khir and Allianz Life CEO Joseph Gross then rolled up their sleeves along with other Allianz employees to join volunteers at the PERTIWI's soup kitchen to distribute food and drinks to the homeless.

29

DECEMBER

Allianz General's Claims Caravan

On 2 December 2016, Allianz General mobilised its Claims Caravan to areas affected by the flood to help expedite claims for the second year running. The caravan was deployed to flood-prone areas in Kuantan, Kemaman and Kota Bahru and spent at least one day in each city by rotation until the end of the monsoon season. The Claims Caravan's main aim was to assist Allianz General Householder and Houseowner policyholders whose homes were affected by the flood.

30

DECEMBER

Coffee, Hot Chocolate and Gingerbread cookies on Allianz this Christmas

Allianz Malaysia gave a token of appreciation to its customers in Klang Valley in conjunction with Christmas and year-end festivities. From 13-23 December 2016, customers who walked into the Allianz@Sentral and Allianz Arena Customer Service offices enjoyed either a cup of coffee or hot chocolate and a ginger bread cookie with a little thank you note attached.

31

DECEMBER

Allianz Malaysia recognised by MSWG

Allianz Malaysia Berhad received the Merit Award for Corporate Governance (CG) Disclosures at the Minority Shareholder Watchdog Group (MSWG) Malaysia-ASEAN Corporate Governance Transparency Index, Findings and Recognition 2016 at the Sime Darby Convention Centre on 15 December 2016. The Merit Award for CG Disclosures is awarded to top 10 Public Listed Companies (PLCs) which incorporate the best corporate governance practices, identified from the 868 companies that were assessed using the ASEAN CG Scorecard methodology.

FINANCIAL STATEMENTS

Contents	Page

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding activities, whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	312,131	81,980

DIVIDENDS

Since the end of the previous financial year, the Company paid:

i) a first and final preference share dividend of 7.80 sen per Irredeemable Convertible Preference Share ("ICPS") under single tier system totaling RM13,797,000 in respect of the financial year ended 31 December 2015 on 15 June 2016;

ii) a first and final ordinary share dividend of 6.50 sen per ordinary share under single tier system totaling RM11,006,000 in respect of the financial year ended 31 December 2015 on 15 June 2016;

iii) an interim preference share dividend of 10.80 sen per ICPS under single tier system totaling RM18,630,000 in respect of the financial year ended 31 December 2016 on 21 February 2017; and

iv) an interim ordinary share dividend of 9.00 sen per ordinary share under single tier system totaling RM15,633,000 in respect of the financial year ended 31 December 2016 on 21 February 2017.

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 FINANCIAL YEAR ENDED 31 DECEMBER 2016

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Razali Bin Ismail (Chairman)
Foo San Kan
Dato' Dr. Thillainathan A/L Ramasamy
Tan Sri Datuk (Dr.) Rafiah Binti Salim
Tunku Zain Al-Abidin Ibni Tuanku Muhriz
Zakri Bin Mohd Khir
Ong Eng Chow

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 the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM1.00 each			
Interests in the Company:	At 1.1.2016	Bought	Sold	At 31.12.2016
Zakri Bin Mohd Khir	100	-	-	100
Ong Eng Chow	100	-	-	100

	Number of ICPS of RM1.00 each			
Interests in the Company:	At 1.1.2016	Bought	Sold	At 31.12.2016
Zakri Bin Mohd Khir	200	-	-	200
Ong Eng Chow	100	-	-	100

Save as disclosed above, none of the other Directors holding office at 31 December 2016 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 a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

ISSUE OF SHARES

During the financial year, the Company increased its issued and fully paid-up ordinary share capital to RM173,706,988 by way of the issuance of 4,397,861 ordinary shares of RM1 each pursuant to the conversion of 4,397,861 ICPS of RM1 each to ordinary shares of RM1 each of the Company. Accordingly, the paid up share capital of ICPS of the Company was reduced to RM172,498,797 as at 31 December 2016.

ISSUE OF SHARES (CONTINUED)

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 authorised, issued and paid-up 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.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

(i) all known bad debts have been written off and adequate provision made for doubtful debts;

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise; and

(iii) there was adequate provision for insurance contract liabilities in the Group in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

At the date of this report, the Directors are not aware of any circumstances:-

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts and insurance contract liabilities in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:-

(i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

(ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year, other than those disclosed in Note 42 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.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

OTHER STATUTORY INFORMATION (CONTINUED)

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 2016 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.

SIGNIFICANT EVENT

Bank Negara Malaysia ("BNM") has via its letter dated 26 October 2016 ("BNM Letter") stated it has no objection in principle for the Company to commence negotiations with HSBC Insurance (Asia Pacific) Holdings Limited, JAB Capital Berhad and the Employees Provident Fund Board on the proposed acquisition of up to 100% equity interest in HSBC Amanah Takaful (Malaysia) Berhad ("Proposed Acquisition"). The Group is currently in the process of negotiation with the parties concerned on the Proposed Acquisition.

SUBSEQUENT EVENT

The Allianz SE and Standard Chartered Bank entered into a 15-year bancaassurance agreement for the distribution of Allianz's general insurance products, including travel, personal accident, fire and motor insurance products, to Standard Chartered's Retail Banking clients in five key markets across Asia, namely Malaysia, Singapore, Indonesia, Hong Kong and China.

The new partnership arrangements in the respective countries will be implemented during the course of 2017.

AUDITORS

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:-

……………………………………………………

Tan Sri Razali Bin Ismail
Director

……………………………………………………

Zakri Bin Mohd Khir
Director

Kuala Lumpur,

Date: 24 February 2017

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Assets					
Property, plant and equipment	3	118,864	96,750	600	631
Intangible assets	4	293,915	301,246	-	-
Investment properties	6	30,337	50,026	-	-
Investments in subsidiaries	7	-	-	1,128,699	1,128,699
Subordinated loan	15	-	-	54,300	54,300
Deferred tax assets	16	14,613	19,051	-	-
Reinsurance assets	11	980,910	1,129,305	-	-
Investments	8	12,218,075	10,822,550	-	6,540
Derivative financial assets	18	15,425	5,724	-	-
Current tax assets		170	195	67	89
Insurance receivables	9	270,173	258,845	-	-
Other receivables, deposits and prepayments	10	257,663	229,885	67,019	6,673
Deferred acquisition costs	5	86,928	82,199	-	-
Cash and cash equivalents		625,304	621,648	29,726	25,365
Total assets		14,912,377	13,617,424	1,280,411	1,222,297
Equity					
Share capital					
- Ordinary shares	19	173,707	169,309	173,707	169,309
- Irredeemable Convertible Preference Shares	19	172,499	176,897	172,499	176,897
Reserves	20	2,533,317	2,275,114	674,151	651,237
Total equity attributable to owners of the Company		2,879,523	2,621,320	1,020,357	997,443
Liabilities					
Insurance contract liabilities	17	10,768,504	9,888,621	-	-
Deferred tax liabilities	16	181,861	158,135	56	29
Derivative financial liabilities	18	13,873	3,454	-	-
Other financial liabilities		5,346	959	-	-
Insurance payables	13	372,450	393,168	-	-
Other payables and accruals	14	427,752	345,068	259,998	224,825
Benefits and claims liabilities	12	253,726	194,563	-	-
Current tax liabilities		9,342	12,136	-	-
Total liabilities		12,032,854	10,996,104	260,054	224,854
Total equity and liabilities		14,912,377	13,617,424	1,280,411	1,222,297

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	21	4,678,486	4,519,074	88,765	22,470
Gross earned premiums	22(a)	4,182,779	4,088,113	-	-
Premiums ceded to reinsurers	22(b)	(492,279)	(583,786)	-	-
Net earned premiums		3,690,500	3,504,327	-	-
Investment income	23	495,707	430,961	88,765	22,470
Realised gains and losses	24	60,857	48,317	45	(1)
Fair value gains and losses	25	(27,258)	(55,644)	-	-
Fee and commission income	26(a)	62,930	69,911	-	-
Other operating income		19,559	17,200	347	812
Other income		611,795	510,745	89,157	23,281
Gross benefits and claims paid	27(a)	(2,024,262)	(1,684,894)	-	-
Claims ceded to reinsurers	27(b)	363,906	403,612	-	-
Gross change in contract liabilities	27(c)	(887,952)	(1,040,310)	-	-
Change in contract liabilities ceded to reinsurers	27(d)	(129,610)	(148,141)	-	-
Net benefits and claims		(2,677,918)	(2,469,733)	-	-
Fee and commission expense	26(b)	(623,698)	(612,999)	-	-
Management expenses	28	(513,252)	(464,761)	(4,325)	(3,043)
Other operating expenses		(32,836)	(29,358)	(2,535)	(2,533)
Other expenses		(1,169,786)	(1,107,118)	(6,860)	(5,576)
Profit before tax		454,591	438,221	82,297	17,705
Tax expense	29	(142,460)	(129,350)	(317)	(160)
Profit for the year		312,131	308,871	81,980	17,545

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 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Profit for the year		312,131	308,871	81,980	17,545
Other comprehensive income, net of tax					
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment	20.2	9,342	11,050	-	-
Tax effects thereon	29.2	(1,466)	(2,103)	-	-
		7,876	8,947	-	-
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets	8	(3,604)	18,313	-	-
Tax effects thereon	29.2	866	(4,590)	-	-
		(2,738)	13,723	-	-
Total other comprehensive income for the year, net of tax		5,138	22,670	-	-
Total comprehensive income for the year, net of tax		317,269	331,541	81,980	17,545
Profit attributable to:					
Owners of the Company		312,131	308,871	81,980	17,545
Total comprehensive income attributable to:					
Owners of the Company		317,269	331,541	81,980	17,545
Basic earnings per ordinary share (sen)	30(a)	182.27	183.08	-	-
Diluted earnings per ordinary share (sen)	30(b)	90.80	89.37	-	-

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

	Attributable to owners of the Company							
	Non-distributable						*Distributable*	
Group	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2015	167,488	178,718	424,823	25,111	(14,493)	378,554	1,129,578	2,289,779
Revaluation of property, plant and equipment	-	-	-	8,947	-	-	-	8,947
Fair value of available-for-sale financial assets	-	-	-	-	13,723	-	-	13,723
Total other comprehensive income for the year	-	-	-	8,947	13,723	-	-	22,670
Profit for the year	-	-	-	-	-	70,550	238,321	308,871
Total comprehensive income for the year	-	-	-	8,947	13,723	70,550	238,321	331,541
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares	1,821	(1,821)	-	-	-	-	-	-
Total transactions with owners of the Company	1,821	(1,821)	-	-	-	-	-	-
At 31 December 2015	169,309	176,897	424,823	34,058	(770)	449,104	1,367,899	2,621,320
	Note 19	Note 19	Note 20.1	Note 20.2	Note 20.3	Note 20	Note 20	

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the Company							
		Non-distributable						*Distributable*	
Group	Note	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Life non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2016		169,309	176,897	424,823	34,058	(770)	449,104	1,367,899	2,621,320
Revaluation of property, plant and equipment		-	-	-	7,876	-	-	-	7,876
Fair value of available-for-sale financial assets		-	-	-	-	(2,738)	-	-	(2,738)
Total other comprehensive income for the year		-	-	-	7,876	(2,738)	-	-	5,138
Profit for the year		-	-	-	-	-	75,412	236,719	312,131
Total comprehensive income for the year		-	-	-	7,876	(2,738)	75,412	236,719	317,269
Contributions by and distributions to owners of the Company									
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		4,398	(4,398)	-	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	-	(59,066)	(59,066)
Total transactions with owners of the Company		4,398	(4,398)	-	-	-	-	(59,066)	(59,066)
At 31 December 2016		173,707	172,499	424,823	41,934	(3,508)	524,516	1,545,552	2,879,523
		Note 19	Note 19	Note 20.1	Note 20.2	Note 20.3	Note 20	Note 20	

* The Life non-participating fund surplus amount is net of deferred tax. This amount is only distributable when the surplus is transferred from the Life fund to the Shareholders' fund.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the Company				
		Non-distributable			*Distributable*	
Company	Note	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2015		167,488	178,718	424,823	208,869	979,898
Profit for the year		-	-	-	17,545	17,545
Total comprehensive income for the year		-	-	-	17,545	17,545
Contributions by and distributions to owners of the Company						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		1,821	(1,821)	-	-	-
Total transactions with owners of the Company		1,821	(1,821)	-	-	-
At 31 December 2015 /1 January 2016		169,309	176,897	424,823	226,414	997,443
Profit for the year		-	-	-	81,980	81,980
Total comprehensive income for the year		-	-	-	81,980	81,980
Contributions by and distributions to owners of the Company						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		4,398	(4,398)	-	-	-
Dividends to owners of the Company	31	-	-	-	(59,066)	(59,066)
Total transactions with owners of the Company		4,398	(4,398)	-	(59,066)	(59,066)
At 31 December 2016		173,707	172,499	424,823	249,328	1,020,357
		Note 19	Note 19	Note 20.1	Note 20	

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities				
Profit before tax	454,591	438,221	82,297	17,705
Adjustments for:				
Investment income	(495,707)	(430,961)	(88,765)	(22,470)
Interest income	(636)	(423)	-	-
Interest expense	6,161	5,393	2,341	2,335
Realised gains recorded in profit or loss	(60,807)	(48,262)	-	-
Fair value gains on financial investments recorded in profit or loss	(4,154)	(296)	-	-
Purchase of available-for-sale ("AFS") financial investments	(1,673,702)	(1,679,896)	-	-
Maturity of AFS financial investments	470,500	443,600	-	-
Proceeds from sale of AFS financial investments	1,132,344	528,813	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	(775,737)	(424,797)	-	-
Maturity of DUIR financial investments	130,000	161,960	-	-
Proceeds from sale of DUIR financial investments	189,552	150,477	-	-
Purchase of held for trading ("HFT") financial investments	(1,349,148)	(934,874)	-	-
Maturity of HFT financial investments	67,500	54,400	-	-
Proceeds from sale of HFT financial investments	593,912	295,698	-	-
Disposal/(Purchase) of derivative financial investments	2,360	(748)	-	-
Change in loans and receivables	(155,271)	(215,884)	6,540	4,739
Non-cash items:				
Change in fair value of investment properties	2,008	(540)	-	-
Change in fair value of AFS financial assets	7,890	22,316	-	-
Unrealised foreign exchange gain	(205)	-	-	-
Depreciation of property, plant and equipment	17,339	17,014	155	150
Amortisation of intangible assets	16,256	15,294	-	-
(Gain)/Loss on disposal of property, plant and equipment	(50)	(55)	(45)	1
Impairment loss on AFS financial investments	29,404	56,480	-	-
Property, plant and equipment written off	29	501	1	16
Insurance and other receivables:				
- Bad debts written off	1,284	6,885	-	-
- Allowance for/(Reversal of) impairment loss	1,813	(6,904)	-	-
- Bad debts recovered	(160)	(144)	-	-
Operating (loss)/gain before changes in working capital	(1,392,634)	(1,546,732)	2,524	2,476

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2016

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Changes in working capital:				
Change in reinsurance assets	148,395	188,908	-	-
Change in insurance receivables	(13,020)	(60,063)	-	-
Change in other receivables, deposits and prepayments	(22,433)	22,954	2,342	2,671
Change in deferred acquisition costs	(4,729)	(4,773)	-	-
Change in insurance contract liabilities	879,883	1,062,530	-	-
Change in other financial liabilities	4,387	(10,122)	-	-
Change in insurance payables	(20,718)	36,006	-	-
Change in other payables and accruals	43,437	(13,199)	(254)	(9,826)
Change in benefits and claims liabilities	59,163	26,861	-	-
Cash (used in)/generated from operations	(318,269)	(297,630)	4,612	(4,679)
Tax paid	(116,979)	(115,322)	(268)	(179)
Dividends received	39,843	30,857	25,025	39,073
Interest income received	446,375	393,641	1,052	832
Net cash from operating activities	50,970	11,546	30,421	35,047
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	57	56	45	55
Acquisition of property, plant and equipment	(13,164)	(30,491)	(125)	(577)
Acquisition of intangible assets	(8,227)	(4,605)	-	-
Net cash used in investing activities	(21,334)	(35,040)	(80)	(522)
Cash flows from financing activities				
Dividends paid to owners of the Company	(24,803)	(19,098)	(24,803)	(19,098)
Repayment of finance lease liabilities	-	(3)	-	-
Interest paid	(1,177)	(2,340)	(1,177)	(2,340)
Net cash used in financing activities	(25,980)	(21,441)	(25,980)	(21,438)
Net increase/(decrease) in cash and cash equivalents	3,656	(44,935)	4,361	13,087
Cash and cash equivalents at 1 January	621,648	666,583	25,365	12,278
Cash and cash equivalents at 31 December	625,304	621,648	29,726	25,365
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	558,972	598,079	28,061	24,731
Cash and bank balances	66,332	23,569	1,665	634
	625,304	621,648	29,726	25,365

Included in the fixed and call deposits are RM76,029,000 (2015: RM67,592,000) held as cash collateral for guarantees issued on behalf of the policyholders (Note 13).

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

Allianz Malaysia Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of the principal place of business and registered office of the Company is as follows:

Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 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 2016 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 7.

The holding and ultimate 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 24 February 2017.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act, 1965 in Malaysia, Financial Services Act, 2013 ("FSA") and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
- Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, F*oreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*
- Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

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

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements and* MFRS 128*, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plan to apply the abovementioned accounting standards, amendments and interpretations:

- from the annual period beginning on 1 January 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017, except for Amendments to MFRS 12 which is not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2018 for those accounting standards, amendments and interpretation that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 1 and Amendments to MFRS 2 which are not applicable to the Group and the Company.

- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 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, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition for non-insurance contracts might be different as compared with current practices.

The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments*: *Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease.*

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

Companies Act, 2016

The Companies Act, 2016 ("New Act") was enacted to replace the Companies Act, 1965 in Malaysia with the objectives of creating a legal and regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by the Dewan Rakyat (House of Representatives) and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation, except Section 241 and Division 8 of Part III of the New Act, would be 31 January 2017.

There is no impact on the directors' report and the financial statements of the Group and the Company for financial year ended 31 December 2016 as adoption of the New Act will only be applied prospectively.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 2.3.1	- Valuation of owner occupied properties
Note 2.6 and 2.26	- Valuation of financial instruments
Note 2.7.3	- Determination of the recoverable amounts of cash-generating units and other intangible assets
Note 2.8.3	- Valuation of investment properties
Note 2.16.5	- Valuation of general insurance contract liabilities
Note 2.17.5	- Valuation of life insurance contract liabilities

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

2.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

2.1.2 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

2.1.3 Acquisition of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2.1.6 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. 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 on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2.3 Property, plant and equipment

2.3.1 Recognition and measurement

Freehold land and work-in-progress are stated at cost less any accumulated impairment losses. Other items of property, plant and equipment are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses.

The Group revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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	3 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets

2.4.1 Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

2.4.2 Development costs

Expenditure incurred on software development is capitalised, only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.4.3 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

2.4.4 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

2.4.5 Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired.

Intangible assets with finite useful lives are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	5 years
Other intangible assets	10-11 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leased assets

2.5.1 Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment, or as investment property if held to earn rental income or for capital appreciation or for both.

2.5.2 Operating lease

Leases where the Group or the Company does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2.6 Financial instruments

2.6.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.2 Financial instruments categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market that include loans, other receivables, deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.2 Financial instruments categories and subsequent measurement (continued)

Financial assets (continued)

(d) Insurance receivables (continued)

If there is objective evidence that the insurance receivable is impaired, the carrying amount of the insurance receivable will be reduced accordingly and the impairment loss recognised in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.7.2.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.6.6 have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.7).

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2.6.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts, if any, are classified as deferred income and is amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.4 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.6.5 Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

2.6.6 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment

2.7.1 Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7.2 below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the financial asset's acquisition cost (net of any principal repayment and amortisation) and the financial asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent financial period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.7.2 Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.2 Insurance receivables (continued)

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.

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.

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 Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs of disposal.

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to financial assets, deferred tax assets and investment properties, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

2.10 Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hands, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.6.2 (b).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

2.11.1 Ordinary shares

Ordinary share capital is classified as equity.

2.11.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2.11.3 Dividends on ordinary share capital

Dividends on ordinary share capital are recognised as a liability and deducted from equity when they are approved by the Company's shareholders. Interim dividends are deducted from equity when they are paid.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

2.13 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Product classification

Product classification applies to the Group's general insurance and life insurance subsidiaries.

The insurance subsidiaries issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiary determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts (if any) are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling are required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Reinsurance

Reinsurance applies to the Group's general insurance and life insurance subsidiaries.

Insurance risk is ceded in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The insurance subsidiary also assumes reinsurance risk in the normal course of business for general (non-life) insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2.16 General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

2.16.1 Premium income

(a) Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 General insurance underwriting results (continued)

2.16.1 Premium income (continued)

(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 inceptions dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

2.16.2 Unearned premium reserves ("UPR")

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) method for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward treaty business
- Non-annual policies are time-apportioned over the period of the risks

2.16.3 Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the end of the reporting period.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the end of the reporting period, using a mathematical method of estimation.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 General insurance underwriting results (continued)

2.16.4 Acquisition costs and deferred acquisition cost ("DAC")

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

2.16.5 General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the insurance subsidiary, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date (See Note 2.25.1). These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall insurance subsidiary level. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD calculated at the overall insurance subsidiary level.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred for administering these policies and settling the relevant claims, and expected future premium refunds.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results

2.17.1 Surplus of Life fund

The surplus transferable from the Life fund to profit or loss of Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 by the insurance subsidiary's appointed actuary.

2.17.2 Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit or loss and reported as outstanding premiums in the statements of financial position.

2.17.3 Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

2.17.4 Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results (continued)

2.17.5 Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method (See Note 2.25.2). The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of the participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the insurance fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums or unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract.

The liability is derecognised when the contract expires, is discharged or is cancelled.

2.17.6 Investment contract liabilities

Investment contracts (if any) are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are remeasured at fair value through profit or loss.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results (continued)

2.17.6 Investment contract liabilities (continued)

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statements of financial position.

Fair value adjustments are performed at each reporting date and are recognised in profit or loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each investment-linked fund multiplied by the unit-price of those funds at the end of the reporting period. The fund assets and fund liabilities used to determine the unit-prices at the end of the reporting period are adjusted to take into account the effect of deferred tax on unrealised gains on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

2.18 Fees and commission income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

2.19 Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, and income derived from reinsurance in the course of ceding of premiums to reinsurers, are charged to profit or loss in the period in which they are incurred.

2.20 Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

2.20.1 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except where an interest bearing financial investment is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

2.20.2 Rental income

Rental income from investment properties and self-occupied properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis. Rental income from subleased property is recognised as other income.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Other revenue recognition (continued)

2.20.3 Dividend income

Dividend income is recognised in profit or loss on the date the Group's and the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.20.4 Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.21 Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

2.22 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, insurance contract liabilities or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax base. Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 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.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.23 Earnings per ordinary share

The Group presents basic and diluted earnings per share (“EPS”) data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group’s other components. All operating segments’ operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.25 Significant accounting judgements, estimates and assumptions

2.25.1 Valuation of general insurance claims liabilities

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported (“IBNR”) at the end of the reporting period.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Significant accounting judgements, estimates and assumptions (continued)

2.25.1 Valuation of general insurance claims liabilities (continued)

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the insurance subsidiary has not yet been notified. The valuation of IBNR reserves is carried out by an Appointed Actuary approved by BNM using her professional judgement in applying actuarial methodology and assumptions, based on the insurance subsidiary's current and past claims experience, taking into account the insurance subsidiary's underwriting practice and industry experience. IBNR reserves are estimated based on actuarial statistical projections of the expected cost of the ultimate settlement and administration of claims. The projections are based on available information at the time and include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

2.25.2 Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM.

The life insurance contract liability is valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The expected future cash flow is determined using best estimate assumptions and with due regard to significant recent experience.

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies and non-unit actuarial liabilities of investment-linked policies.

For a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liabilities are calculated as the higher of unearned premium reserve or the unexpired risk reserve.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy, non-unit actuarial liability of an investment-linked policy and guaranteed benefits insurance liability of participating policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund is used for all cash flows to determine the total benefit liability of participating policies.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date the event or change in circumstances that caused the transfers.

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 2015		20,501	58,424	1,459	69,372	2,708	23,195	2,454	178,113
Additions		-	-	-	11,615	995	6,226	11,655	30,491
Disposals		-	-	-	(397)	(288)	-	-	(685)
Written off		-	-	-	(2,416)	-	(226)	-	(2,642)
Reclassification		-	-	-	4,017	-	3,909	(7,926)	-
Transfer to investment properties	6	-	(46,186)	-	-	-	-	-	(46,186)
Revaluation		4,570	8,830	-	-	-	-	-	13,400
At 31 December 2015/ 1 January 2016		25,071	21,068	1,459	82,191	3,415	33,104	6,183	172,491
Additions		-	-	-	6,677	1,011	806	4,670	13,164
Disposals		-	-	-	(21)	(453)	-	-	(474)
Written off		-	-	-	(4,821)	-	(46)	-	(4,867)
Reclassification#		-	-	-	4,362	-	1,369	(6,429)	(698)
Transfer from investment properties	6	-	17,681	-	-	-	-	-	17,681
Revaluation		5,486	217	200	-	-	-	-	5,903
At 31 December 2016		30,557	38,966	1,659	88,388	3,973	35,233	4,424	203,200

* The carrying amounts of land and buildings are not segregated as the required information is not available.

\# Certain work-in-progress were reclassified as software development costs (intangible assets) (See Note 4).

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in-progress RM'000	Total RM'000
Depreciation									
At 1 January 2015		714	7,287	127	40,424	2,280	12,902	-	63,734
Depreciation for the year	28	254	1,251	17	12,053	372	3,067	-	17,014
Disposals		-	-	-	(396)	(288)	-	-	(684)
Written off		-	-	-	(1,977)	-	(164)	-	(2,141)
Elimination of accumulated depreciation on revaluation		(300)	(1,882)	-	-	-	-	-	(2,182)
At 31 December 2015/ 1 January 2016		668	6,656	144	50,104	2,364	15,805	-	75,741
Depreciation for the year	28	262	997	18	12,383	498	3,181	-	17,339
Disposals		-	-	-	(14)	(453)	-	-	(467)
Written off		-	-	-	(4,797)	-	(41)	-	(4,838)
Elimination of accumulated depreciation on revaluation		(688)	(2,652)	(99)	-	-	-	-	(3,439)
At 31 December 2016		242	5,001	63	57,676	2,409	18,945	-	84,336
Carrying amounts									
At 1 January 2015		19,787	51,137	1,332	28,948	428	10,293	2,454	114,379
At 31 December 2015/ 1 January 2016		24,403	14,412	1,315	32,087	1,051	17,299	6,183	96,750
At 31 December 2016		30,315	33,965	1,596	30,712	1,564	16,288	4,424	118,864

* The carrying amounts of land and buildings are not segregated as the required information is not available.

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
Cost						
At 1 January 2015		444	895	15	9	1,363
Additions		266	-	67	244	577
Disposals		(104)	-	-	-	(104)
Written off		(28)	-	-	-	(28)
Reclassification		247	-	-	(247)	-
At 31 December 2015/ 1 January 2016		825	895	82	6	1,808
Additions		124	-	-	1	125
Disposals		-	(453)	-	-	(453)
Written off		(2)	-	-	-	(2)
Reclassification		3	-	-	(3)	-
At 31 December 2016		950	442	82	4	1,478
Depreciation						
At 1 January 2015		186	895	6	-	1,087
Depreciation for the year	28	142	-	8	-	150
Disposals		(48)	-	-	-	(48)
Written off		(12)	-	-	-	(12)
At 31 December 2015/ 1 January 2016		268	895	14	-	1,177
Depreciation for the year	28	147	-	8	-	155
Disposals		-	(453)	-	-	(453)
Written off		(1)	-	-	-	(1)
At 31 December 2016		414	442	22	-	878
Carrying amounts						
At 1 January 2015		258	-	9	9	276
At 31 December 2015/ 1 January 2016		557	-	68	6	631
At 31 December 2016		536	-	60	4	600

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Revaluation of properties

The Group's land and buildings were revalued in 2015 and 2016 by external independent professional qualified valuers using the Comparison Method.

Had the land and buildings of the Group been carried under the cost model, their carrying amounts would have been as follows:

Group	2016 RM'000	2015 RM'000
Land	11,598	11,711
Buildings	23,605	7,257
Land and buildings	1,302	1,319
	36,505	20,287

3.2 Land

Included in the total carrying amount of land are:

Group	2016 RM'000	2015 RM'000
Freehold land	10,370	7,234
Long term leasehold land with unexpired lease period of more than 50 years	19,945	17,169
	30,315	24,403

3.3 Fair value information

Fair value of land and buildings are categorised as follows:

	2016				2015			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	30,315	-	30,315	-	24,403	-	24,403
Buildings	-	33,965	-	33,965	-	14,412	-	14,412
Land and buildings	-	1,596	-	1,596	-	1,315	-	1,315
	-	65,876	-	65,876	-	40,130	-	40,130

Level 2 fair value

Level 2 fair values of land and buildings have been generally derived using the Comparison Method. Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location, property size, shape and terrain of land, tenure, title restriction if any, availability of infrastructure, building construction, finishes and services, and other relevant characteristics.

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 2015		244,600	19,668	139,428	403,696
Additions		-	4,605	-	4,605
At 31 December 2015/ 1 January 2016		244,600	24,273	139,428	408,301
Additions		-	8,227	-	8,227
Reclassification	3	-	698	-	698
At 31 December 2016		244,600	33,198	139,428	417,226
Amortisation					
At 1 January 2015		-	16,952	74,809	91,761
Amortisation for the year	28	-	1,857	13,437	15,294
At 31 December 2015/ 1 January 2016		-	18,809	88,246	107,055
Amortisation for the year	28	-	2,818	13,438	16,256
At 31 December 2016		-	21,627	101,684	123,311
Carrying amounts					
At 1 January 2015		244,600	2,716	64,619	311,935
At 31 December 2015/ 1 January 2016		244,600	5,464	51,182	301,246
At 31 December 2016		244,600	11,571	37,744	293,915

4.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	2016 RM'000	2015 RM'000
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/ Bright Mission Berhad ("BMB")	239,610	239,610
	244,600	244,600

AGIC and BMB (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 has now been allocated to the entire integrated general insurance business of the Group.

4. INTANGIBLE ASSETS (CONTINUED)

4.1 Goodwill (continued)

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 has been allocated to the entire integrated general insurance business of the Group as one CGU, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The estimated recoverable amount is calculated based on value in use, determined by discounted cash flows generated by the general insurance business using approved 5-year financial budgets projected to perpetuity.

The following key assumptions have been used in the cash flow projections in respect of the determining the value in use for CGU containing goodwill:

Key assumptions	
Discount rate - post tax	11.2%
Terminal growth rate	3.0%

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the estimated recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM calculated by an appointed actuary. ALIM computes the Embedded Value using market consistent embedded value approach whereby the Embedded Value is the present value of future shareholders distributable profits after tax discounted at the risk free yield curve with volatility adjustment plus the Net Assets Value. The projected future cash flows are based on the best estimate of assumptions, either derived from the operating unit experience or industry experience.

The estimated recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised.

4.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS"), Integrated Insurance Management System ("IIMS"), 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	2016 RM'000	2015 RM'000
The Bancassurance Agreements:			
- General insurance business	4.3.1	5,932	14,825
- Life insurance business	4.3.2	31,812	36,357
		37,744	51,182

4. INTANGIBLE ASSETS (CONTINUED)

4.3 Other intangible assets (continued)

4.3.1 The Bancassurance Agreement – General insurance business

This Bancassurance Agreement was entered between the Group's general insurance entity, AGIC and CIMB Bank Berhad and formed an integral part of the acquisition of BMB by the Company on 28 August 2007 from Commerce International Group Berhad ("CIG"). The Group's general insurance business is further enhanced through the leverage on CIMB Bank's customer base and nationwide network. The recognised intangible asset is amortised over its useful life of ten years.

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 right is amortised over its useful life of 11 years using the straight-line method. In the impairment assessment conducted by ALIM, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 11 years using the discounting cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

Key assumptions	
Bancassurance annualised new premium growth rate	3.1% – 40.2% per annum
Discount rate - post tax	11.2%

4.3.3 Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

5. DEFERRED ACQUISITION COSTS

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2015		100,422	(22,996)	77,426
Movement during the year	26	(1,608)	6,381	4,773
At 31 December 2015/1 January 2016		98,814	(16,615)	82,199
Movement during the year	26	1,170	3,559	4,729
At 31 December 2016		99,984	(13,056)	86,928

6. INVESTMENT PROPERTIES

Group	Note	2016 RM'000	2015 RM'000
At 1 January		50,026	3,300
Transfer (to)/from property, plant and equipment	3	(17,681)	46,186
Change in fair value recognised in profit or loss	25	(2,008)	540
At 31 December		30,337	50,026
Included in the above are:			
At fair value			
Freehold land		1,000	1,000
Buildings		29,337	49,026
		30,337	50,026

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	2016 RM'000	2015 RM'000
Rental income	23	128	132
Direct operating expenses			
- income generating investment properties		(2)	(1)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2016				2015			
Group	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	-	29,337	-	29,337	-	49,026	-	49,026
	-	30,337	-	30,337	-	50,026	-	50,026

Level 2 fair value

Level 2 fair values of land and buildings have been generally derived using the Comparison Method. Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as location, property size, shape and terrain of land, tenure, title restriction if any, availability of infrastructure, building construction, finishes and services, and other relevant characteristics.

7. INVESTMENTS IN SUBSIDIARIES

Company	2016 RM'000	2015 RM'000
At cost		
Unquoted shares	1,128,699	1,128,699

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 2016 %	2015 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance and investment-linked business	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance business	Malaysia	100	100
Bright Mission Berhad ("BMB")	Dormant, under liquidation	Malaysia	100	100

8. INVESTMENTS

Group	2016 RM'000	2015 RM'000
Malaysian government securities	3,365,452	3,616,946
Malaysian government guaranteed bonds	2,317,617	2,009,005
Ringgit denominated bonds by foreign issuers outside Malaysia	100,914	101,234
Quoted equity securities of corporations in Malaysia	1,544,889	1,197,790
Quoted equity securities of corporations outside Malaysia	24,916	1,409
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	3,668,337	2,890,122
Unquoted bonds of corporations outside Malaysia	116,765	-
Quoted unit trusts in Malaysia	54,458	47,959
Unquoted unit trusts in Malaysia	6,023	4,430
Unquoted unit trusts outside Malaysia	12,633	44,654
Structured deposits and negotiable certificate of deposits with licensed financial institutions	257,999	316,200
Malaysian government guaranteed loans	190,000	260,000
Mortgage loans	3,926	5,995
Policy loans	14,588	14,950
Automatic premium loans	89,041	88,378
Fixed and call deposits with:		
Licensed financial institutions	448,370	221,331
	12,218,075	10,822,550

8. INVESTMENTS (CONTINUED)

Financial investments are summarised by categories as follows:

Group	Note	Current 2016 RM'000	Current 2015 RM'000	Non-current 2016 RM'000	Non-current 2015 RM'000	Total 2016 RM'000	Total 2015 RM'000
Available-for-sale financial assets ("AFS")	(a)	6,258,511	6,179,071	-	-	6,258,511	6,179,071
Loans and receivables ("LAR")	(b)	457,307	305,811	288,618	284,843	745,925	590,654
Fair value through profit or loss ("FVTPL")							
- Held for trading ("HFT")	(c)	2,601,755	1,912,091	-	-	2,601,755	1,912,091
- Designated upon initial recognition ("DUIR")	(d)	2,611,884	2,140,734	-	-	2,611,884	2,140,734
		11,929,457	10,537,707	288,618	284,843	12,218,075	10,822,550

(a) Available-for-sale financial assets

Group	Fair value 2016 RM'000	Fair value 2015 RM'000
Malaysian government securities	2,471,201	2,807,363
Malaysian government guaranteed bonds	1,535,799	1,414,937
Ringgit denominated bonds by foreign issuers outside Malaysia	74,086	74,311
Quoted equity securities of corporations in Malaysia	663,162	528,529
Unquoted bonds of corporations in Malaysia	1,362,289	1,119,107
Quoted unit trusts in Malaysia	54,458	45,838
Unquoted unit trusts in Malaysia	1,137	1,133
Unquoted unit trusts outside Malaysia	-	31,359
Structured deposits and negotiable certificate of deposits with licensed financial institutions	94,232	154,347
	6,256,364	6,176,924

Group	Cost 2016 RM'000	Cost 2015 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Total available-for-sale financial assets	6,258,511	6,179,071

8. INVESTMENTS (CONTINUED)

(b) Loans and receivables

Group	Amortised cost 2016 RM'000	Fair value 2016 RM'000	Amortised cost 2015 RM'000	Fair value 2015 RM'000
Malaysian government guaranteed loans	190,000	190,000	260,000	260,000
Mortgage loans	3,926	3,926	5,995	5,995
Policy loans	14,588	14,588	14,950	14,950
Automatic premium loans	89,041	89,041	88,378	88,378
Fixed and call deposits with:				
Licensed financial institutions	448,370	448,370	221,331	221,331
	745,925	745,925	590,654	590,654

(c) FVTPL – Held for trading

Group	Fair value 2016 RM'000	Fair value 2015 RM'000
Malaysian government securities	437,633	346,621
Malaysian government guaranteed bonds	397,451	264,877
Ringgit denominated bonds by foreign issuers outside Malaysia	5,098	5,117
Quoted equity securities of corporations in Malaysia	881,727	669,261
Quoted equity securities of corporations outside Malaysia	24,916	1,409
Unquoted bonds of corporations in Malaysia	807,117	575,998
Quoted unit trusts in Malaysia	-	2,121
Unquoted unit trusts in Malaysia	4,886	3,297
Unquoted unit trusts outside Malaysia	12,633	13,295
Structured deposits with licensed financial institutions	30,294	30,095
	2,601,755	1,912,091

8. INVESTMENTS (CONTINUED)

(d) FVTPL – Designated upon initial recognition

Group	Fair value 2016 RM'000	Fair value 2015 RM'000
Malaysian government securities	456,618	462,962
Malaysian government guaranteed bonds	384,367	329,191
Ringgit denominated bonds by foreign issuers outside Malaysia	21,730	21,806
Unquoted bonds of corporations in Malaysia	1,498,931	1,195,017
Unquoted bonds of corporations outside Malaysia	116,765	-
Structured deposits and negotiable certificate of deposits with licensed financial institutions	133,473	131,758
	2,611,884	2,140,734

Carrying values of financial investments

Group	Note	HTM RM'000	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2015		1,665,180	3,819,744	374,770	1,317,769	2,030,778	9,208,241
Purchases/Placements		-	1,679,896	17,542,887	934,874	424,797	20,582,454
Reclassification		(1,665,180)	1,665,180	-	-	-	-
Maturities		-	(443,600)	(17,327,003)	(54,400)	(161,960)	(17,986,963)
Disposals		-	(482,713)	-	(293,917)	(148,458)	(925,088)
Fair value gains/(losses) recorded in:							
• Profit or loss:							
- Unrealised gains/(losses)	25	-	-	-	7,637	(4,232)	3,405
- Movement in impairment allowance	25	-	(56,480)	-	-	-	(56,480)
• Other comprehensive income	20.3	-	18,313	-	-	-	18,313
• Insurance contract liabilities	17(a)	-	(23,017)	-	-	-	(23,017)
Accretion of discounts		-	5,443	-	672	2,009	8,124
Amortisation of premiums		-	(3,695)	-	(544)	(2,200)	(6,439)
At 31 December 2015		-	6,179,071	590,654	1,912,091	2,140,734	10,822,550

8. INVESTMENTS (CONTINUED)

Carrying values of financial investments (continued)

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2016		6,179,071	590,654	1,912,091	2,140,734	10,822,550
Purchases/Placements		1,673,702	20,242,181	1,349,148	775,737	24,040,768
Maturities		(470,500)	(20,086,910)	(67,500)	(130,000)	(20,754,910)
Disposals		(1,083,370)	-	(583,368)	(186,714)	(1,853,452)
Fair value (losses)/gains recorded in:						
• Profit or loss:						
- Unrealised (losses)/gains	25	-	-	(9,322)	11,551	2,229
- Unrealised foreign exchange gains		-	-	205	-	205
- Movement in impairment allowance	25	(29,404)	-	-	-	(29,404)
• Other comprehensive income	20.3	(3,604)	-	-	-	(3,604)
• Insurance contract liabilities	17(a)	(9,842)	-	-	-	(9,842)
Accretion of discounts		5,661	-	1,180	2,456	9,297
Amortisation of premiums		(3,203)	-	(679)	(1,880)	(5,762)
At 31 December 2016		6,258,511	745,925	2,601,755	2,611,884	12,218,075

Company	2016 RM'000	2015 RM'000
Fixed and call deposits with:		
Licensed financial institutions	-	6,540

Financial investments are summarised by category as follows:

Company	Current 2016 RM'000	Current 2015 RM'000	Total 2016 RM'000	Total 2015 RM'000
Loans and receivables ("LAR")	-	6,540	-	6,540

Loans and receivables

Company	Amortised cost 2016 RM'000	Fair value 2016 RM'000	Amortised cost 2015 RM'000	Fair value 2015 RM'000
Fixed and call deposits with:				
Licensed financial institutions	-	-	6,540	6,540

8. INVESTMENTS (CONTINUED)

Carrying values of financial investments (continued)

Company	LAR RM'000	Total RM'000
At 1 January 2015	11,279	11,279
Maturities	(4,739)	(4,739)
At 31 December 2015/1 January 2016	6,540	6,540
Maturities	(6,540)	(6,540)
At 31 December 2016	-	-

9. INSURANCE RECEIVABLES

Group	Note	2016 RM'000	2015 RM'000
Current			
Due premiums including agents, brokers and co-insurers balances		195,614	213,981
Due from reinsurers and cedants		79,565	62,038
Due from related companies	9.1	14,945	2,543
Group claims receivables		1,693	1,359
		291,817	279,921
Less: Allowance for impairment	39.1(ii)	(21,644)	(21,076)
		270,173	258,845

9.1 Amount due from related companies

The amount due from related companies is unsecured and receivable in accordance with normal trade terms.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	2016 RM'000	2015 RM'000
Non-current		
Other receivables		
Other receivables, deposits and prepayments	9,696	10,675
Malaysian Institute of Insurance ("MII") bonds	590	590
	10,286	11,265
Staff loans		
Mortgage loans	4,103	3,630
Other secured loans	762	750
	4,865	4,380
	15,151	15,645

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Group	Note	2016 RM'000	2015 RM'000
Current			
Other receivables			
Other receivables, deposits and prepayments		93,037	100,350
Less: Allowance for impairment	39.1(ii)	(1,987)	(742)
		91,050	99,608
Income due and accrued		121,219	100,007
Due from holding company	10.1	-	10
Due from related companies	10.1	5,129	6,162
Due from inter-fund	14	24,330	7,671
		241,728	213,458
Staff loans			
Mortgage loans		514	491
Other secured loans		270	291
		784	782
		242,512	214,240
Total		257,663	229,885

10.1 Amounts due from holding company and related companies

The amounts due from holding company and related companies are unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Company	Note	2016 RM'000	2015 RM'000
Non-current			
Other receivables			
Other receivables, deposits and prepayments		585	890
Staff loans			
Mortgage loans		554	589
Other secured loans		50	101
		604	690
		1,189	1,580
Current			
Other receivables			
Other receivables, deposits and prepayments		1,614	1,098
Income due and accrued		38	98
Due from subsidiaries	10.2	64,074	3,755
		65,726	4,951
Staff loans			
Mortgage loans		78	99
Other secured loans		26	43
		104	142
		65,830	5,093
Total		67,019	6,673

10.2 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

11. REINSURANCE ASSETS

Group	Note	2016 RM'000	2015 RM'000
Non-current			
Reinsurance of insurance contracts			
General insurance claims liabilities		300,522	322,934
Life insurance actuarial liabilities		59,911	64,994
		360,433	387,928
Current			
Reinsurance of insurance contracts			
General insurance claims liabilities		453,340	555,436
General insurance premium liabilities		167,073	185,859
Life insurance actuarial liabilities		64	82
		620,477	741,377
Total	17	980,910	1,129,305

12. BENEFITS AND CLAIMS LIABILITIES

Group	2016 RM'000	2015 RM'000
Current		
Gross benefits and claims liabilities	275,456	259,028
Less: Recoverable from reinsurers	(21,730)	(64,465)
Net benefits and claims liabilities	253,726	194,563

13. INSURANCE PAYABLES

Group	Note	2016 RM'000	2015 RM'000
Non-current			
Performance bond deposits	13.1	32,252	15,709
Current			
Due to reinsurers and cedants		111,384	137,733
Due to agents, brokers, co-insurers and insurers		135,210	134,605
Due to holding company	13.2	583	249
Due to related companies	13.2	49,244	52,989
Performance bond deposits	13.1	43,777	51,883
		340,198	377,459
Total		372,450	393,168

13.1 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

13.2 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.

14. OTHER PAYABLES AND ACCRUALS

Group	Note	2016 RM'000	2015 RM'000
Non-current			
Other payables and accrued expenses	14.1	29,333	44,943
Due to holding company	14.3	54,300	54,300
		83,633	99,243
Current			
Other payables and accrued expenses	14.1	296,727	236,588
Due to inter-fund	10	24,330	7,671
Due to holding company	14.2	23,062	-
Due to related companies	14.2	-	1,566
		344,119	245,825
Total		427,752	345,068
Company			
Non-current			
Due to holding company	14.3	54,300	54,300
Current			
Other payables and accrued expenses		38,315	3,142
Due to a subsidiary	14.2	167,383	167,383
		205,698	170,525
Total		259,998	224,825

14.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group is an amount of RM55,871,000 (2015: RM63,696,000) relating to premium received in advance and RM21,725,000 (2015: RM21,707,000) relating to premium deposits.

14.2 Amounts due to holding company, related companies and a subsidiary

The amounts due to holding company, related companies and a subsidiary are unsecured, interest free and repayable on demand.

14.3 Advance from holding company – Group and Company

Advance from Allianz SE

The Company has on 27 December 2012 entered into an advance agreement ("Advance Agreement") with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of Euro equivalent of RM54.3 million to be made available by Allianz SE to the Company ("Advance"), upon the terms and conditions as stipulated in the Advance Agreement. The term loan is unsecured, subject to interest at 4.3% per annum and repayable in 2018.

The Advance will be utilised by the Company for general working capital purposes and to finance the business expansion of its life insurance subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

15. SUBORDINATED LOAN

15.1 Subordinated loan to subsidiary company – Company

Subordinated loan to Allianz Life Insurance Malaysia Berhad ("ALIM")

Company	2016 RM'000	2015 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.

16. DEFERRED TAX ASSETS AND (LIABILITIES)

16.1 Recognised deferred tax assets and (liabilities) are attributable to the following:

	Assets		Liabilities		Net	
Group	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Property, plant and equipment	732	250	(16,277)	(14,447)	(15,545)	(14,197)
Intangible assets	-	-	(1,091)	(354)	(1,091)	(354)
Provisions	16,867	19,229	-	-	16,867	19,229
Hedging reserve	-	99	(2)	-	(2)	99
Available-for-sale fair value reserve	733	-	(3,122)	(4,042)	(2,389)	(4,042)
Fair value movement recognised in profit or loss	1,778	1,778	(2,744)	(2,179)	(966)	(401)
Unallocated surplus	-	-	(165,636)	(141,823)	(165,636)	(141,823)
Other items	1,663	2,677	(149)	(272)	1,514	2,405
Tax assets/(liabilities)	21,773	24,033	(189,021)	(163,117)	(167,248)	(139,084)
Set off	(7,160)	(4,982)	7,160	4,982	-	-
Net tax assets/(liabilities)	14,613	19,051	(181,861)	(158,135)	(167,248)	(139,084)
Company						
Property, plant and equipment	-	-	(56)	(29)	(56)	(29)
Net tax liabilities	-	-	(56)	(29)	(56)	(29)

16. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

16.2 Movement in temporary differences during the year:

Group	At 1.1.2015 RM'000	Recognised in profit or loss (Note 29.1) RM'000	Recognised in other comprehensive income (Note 29.2) RM'000	Recognised in insurance contract liabilities (Note 29.3) RM'000	At 31.12.2015 /1.1.2016 RM'000	Recognised in profit or loss (Note 29.1) RM'000	Recognised in other comprehensive income (Note 29.2) RM'000	Recognised in insurance contract liabilities (Note 29.3) RM'000	At 31.12.2016 RM'000
Property, plant and equipment	(14,939)	3,178	(2,103)	(333)	(14,197)	118	(1,466)	-	(15,545)
Intangible assets	(461)	107	-	-	(354)	(737)	-	-	(1,091)
Provisions	18,267	962	-	-	19,229	(2,362)	-	-	16,867
Hedging reserve	-	-	-	99	99	-	-	(101)	(2)
Available-for-sale fair value reserve	(1,293)	-	(4,590)	1,841	(4,042)	-	866	787	(2,389)
Fair value movement recognised in profit or loss	(455)	54	-	-	(401)	(565)	-	-	(966)
Unallocated surplus	(126,185)	(15,638)	-	-	(141,823)	(23,813)	-	-	(165,636)
Other items	3,611	(1,206)	-	-	2,405	(891)	-	-	1,514
	(121,455)	(12,543)	(6,693)	1,607	(139,084)	(28,250)	(600)	686	(167,248)

16. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

16.2 Movement in temporary differences during the year (continued):

Company	At 1.1.2015 RM'000	Recognised in profit or loss (Note 29.1) RM'000	At 31.12.2015 /1.1.2016 RM'000	Recognised in profit or loss (Note 29.1) RM'000	At 31.12.2016 RM'000
Property, plant and equipment	(32)	3	(29)	(27)	(56)

17. INSURANCE CONTRACT LIABILITIES

		2016			2015		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	(a)	7,347,962	(59,975)	7,287,987	6,407,711	(65,076)	6,342,635
General insurance	(b)	3,420,542	(920,935)	2,499,607	3,480,910	(1,064,229)	2,416,681
		10,768,504	(980,910)	9,787,594	9,888,621	(1,129,305)	8,759,316
			Note 11			Note 11	

(a) Life insurance

Life insurance contract liabilities consist of:

		2016			2015		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities		6,101,423	(59,975)	6,041,448	5,458,514	(65,076)	5,393,438
Unallocated surplus		169,426	-	169,426	54,085	-	54,085
Hedging reserve		25	-	25	(1,140)	-	(1,140)
Available-for-sale fair value reserve		40,546	-	40,546	49,601	-	49,601
Net asset value attributable to unitholders	34	1,030,562	-	1,030,562	840,671	-	840,671
Revaluation reserve		5,980	-	5,980	5,980	-	5,980
		7,347,962	(59,975)	7,287,987	6,407,711	(65,076)	6,342,635

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

	Gross			Reinsurance			
Group	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2015	3,321,767	2,172,882	5,494,649	-	(69,980)	(69,980)	5,424,669
Premiums received (Note 22)	380,570	1,571,585	1,952,155	(10,334)	(153,649)	(163,983)	1,788,172
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(163,761)	(494,607)	(658,368)	6,358	159,578	165,936	(492,432)
Benefits and claims experience variation	2,710	(12,355)	(9,645)	3,924	(7,039)	(3,115)	(12,760)
Fees deducted	(35,523)	(473,504)	(509,027)	52	6,453	6,505	(502,522)
Expected interest on reserve/net investment income attributable to Universal Life Fund	143,387	57,919	201,306	-	(840)	(840)	200,466
Adjustments due to changes in assumptions	(25,963)	(26,457)	(52,420)	-	401	401	(52,019)
Net asset value attributable to unitholders (Note 34)	-	22,231	22,231	-	-	-	22,231
Hedging reserve	(1,239)	-	(1,239)	-	-	-	(1,239)
Available-for-sale fair value reserve (Note 8)	(23,017)	-	(23,017)	-	-	-	(23,017)
Revaluation reserve	4,532	-	4,532	-	-	-	4,532
Unallocated surplus	(15,053)	-	(15,053)	-	-	-	(15,053)
Deferred tax effects:							
- Hedging reserve (Note 29.3)	99	-	99	-	-	-	99
- Available-for-sale fair value reserve (Note 29.3)	1,841	-	1,841	-	-	-	1,841
- Revaluation reserve (Note 29.3)	(333)	-	(333)	-	-	-	(333)
At 31 December 2015	3,590,017	2,817,694	6,407,711	-	(65,076)	(65,076)	6,342,635

NOTES TO THE FINANCIAL STATEMENTS

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

Group	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
At 1 January 2016	3,590,017	2,817,694	6,407,711	-	(65,076)	(65,076)	6,342,635
Premiums received (Note 22)	308,876	1,790,801	2,099,677	(9,026)	(143,163)	(152,189)	1,947,488
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(206,830)	(566,139)	(772,969)	6,209	120,237	126,446	(646,523)
Benefits and claims experience variation	8,234	(68,969)	(60,735)	2,839	28,339	31,178	(29,557)
Fees deducted	(28,392)	(527,272)	(555,664)	(22)	26	4	(555,660)
Expected interest on reserve/net investment income attributable to Universal Life Fund	150,361	76,732	227,093	-	(970)	(970)	226,123
Adjustments due to changes in assumptions	(117,272)	(4,218)	(121,490)	-	632	632	(120,858)
Net asset value attributable to unitholders (Note 34)	-	16,888	16,888	-	-	-	16,888
Hedging reserve	1,266	-	1,266	-	-	-	1,266
Available-for-sale fair value reserve (Note 8)	(9,842)	-	(9,842)	-	-	-	(9,842)
Unallocated surplus	115,341	-	115,341	-	-	-	115,341
Deferred tax effects:							
- Hedging reserve (Note 29.3)	(101)	-	(101)	-	-	-	(101)
- Available-for-sale fair value reserve (Note 29.3)	787	-	787	-	-	-	787
At 31 December 2016	3,812,445	3,535,517	7,347,962	-	(59,975)	(59,975)	7,287,987

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

General insurance contract liabilities consist of:

		2016			2015		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		1,677,124	(544,462)	1,132,662	1,723,804	(630,253)	1,093,551
Provision for incurred but not reported claims ("IBNR")		722,698	(209,400)	513,298	736,207	(248,118)	488,089
Provision for outstanding claims	17.1	2,399,822	(753,862)	1,645,960	2,460,011	(878,371)	1,581,640
Provision for unearned premiums	17.2	1,020,720	(167,073)	853,647	1,020,899	(185,858)	835,041
		3,420,542	(920,935)	2,499,607	3,480,910	(1,064,229)	2,416,681

17.1 Provision for outstanding claims

		2016			2015		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		2,460,011	(878,371)	1,581,640	2,350,880	(1,021,608)	1,329,272
Claims incurred in the current accident year		1,399,877	(205,960)	1,193,917	1,372,214	(239,093)	1,133,121
Other movements in claims incurred in prior accident years		(208,773)	93,009	(115,764)	(236,557)	144,654	(91,903)
Claims paid during the year	27	(1,251,293)	237,460	(1,013,833)	(1,026,526)	237,676	(788,850)
At 31 December		2,399,822	(753,862)	1,645,960	2,460,011	(878,371)	1,581,640

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance (continued)

17.2 Provision for unearned premiums

		2016			2015		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		1,020,899	(185,858)	835,041	976,363	(226,625)	749,738
Premiums written in the year	22	2,082,923	(321,305)	1,761,618	2,180,494	(379,036)	1,801,458
Premiums earned during the year		(2,083,102)	340,090	(1,743,012)	(2,135,958)	419,803	(1,716,155)
At 31 December		1,020,720	(167,073)	853,647	1,020,899	(185,858)	835,041

18. DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2016			
Derivative held for trading at fair value through profit or loss:			
Collateralised forward starting interest rate swap	400,000	14,996	-
Derivatives used for hedging:			
Forward purchase agreements	160,000	429	(3,114)
Cross currency swap	111,712	-	(10,759)
	671,712	15,425	(13,873)
2015			
Derivative held for trading at fair value through profit or loss:			
Collateralised forward starting interest rate swap	200,000	5,724	(2,215)
Derivatives used for hedging:			
Forward purchase agreements	60,000	-	(1,239)
	260,000	5,724	(3,454)

19. SHARE CAPITAL

Group and Company	2016 Amount RM'000	2016 Number of shares '000	2015 Amount RM'000	2015 Number of shares '000
Authorised:				
Ordinary shares of RM1 each				
At 1 January/31 December	600,000	600,000	600,000	600,000
Irredeemable Convertible Preference Shares ("ICPS") of RM1 each				
At 1 January/31 December	400,000	400,000	400,000	400,000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares of RM1 each				
At 1 January	169,309	169,309	167,488	167,488
Issued during the year	4,398	4,398	1,821	1,821
At 31 December	173,707	173,707	169,309	169,309
Irredeemable Convertible Preference Shares of RM1 each				
At 1 January	176,897	176,897	178,718	178,718
Conversion during the year	(4,398)	(4,398)	(1,821)	(1,821)
At 31 December	172,499	172,499	176,897	176,897

During the financial year, the Group and the Company issued 4,397,861 (2015: 1,820,864) ordinary shares of RM1 each at par via conversion of ICPS of RM1 each.

Ordinary shares

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Irredeemable Convertible Preference Shares ("ICPS")

Holders of ICPS receive a non-cumulative preferential dividend equivalent to 1.2 times of the dividend rate of the ordinary shares declared for the same financial year/period and calculated based on the nominal value of the ICPS at the Company's discretion. The ICPS holders do not carry the right to vote at any general meeting except for when the dividend or part of the dividend is in arrears for more than 6 months, on a proposal to wind-up of the Company, during the winding-up of the Company, on a proposal that affect the rights attached to the ICPS, on a proposal to reduce the Company's share capital or on a proposal for the disposal of the whole of the Company's property, business and undertaking.

In the event of repayment of capital by AMB (including any cancellation of capital which is lost or unrepresented by assets), each ICPS holder will be entitled to participate in such repayment and shall rank pari passu with the existing ordinary shareholders.

20. RESERVES

Group	Note	2016 RM'000	2015 RM'000
Share premium	20.1	424,823	424,823
Revaluation reserve	20.2	41,934	34,058
Fair value reserve	20.3	(3,508)	(770)
Life non-participating fund surplus		524,516	449,104
Retained earnings	20.4	1,545,552	1,367,899
		2,533,317	2,275,114
Company			
Share premium	20.1	424,823	424,823
Retained earnings		249,328	226,414
		674,151	651,237

20.1 Share premium

Share premium comprised the premium paid on subscription of shares in the Company over and above the par value of the shares.

Group and Company	2016 RM'000	2015 RM'000
At 1 January/31 December	424,823	424,823

20.2 Revaluation reserve

The revaluation reserve represents the surplus on revaluation of owner occupied properties for the general business and life business.

Owner occupied properties are stated at valuation based on valuation conducted by independent professional qualified valuers using the Comparison Method.

Group	2016 RM'000	2015 RM'000
At 1 January	34,058	25,111
Net gain arising from change in fair value during the year	9,342	11,050
Effect of tax	(1,466)	(2,103)
At 31 December	41,934	34,058

20. RESERVES (CONTINUED)

20.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Group	Note	2016 RM'000	2015 RM'000
Fair value reserve			
At 1 January		(770)	(14,493)
Net (loss)/gain arising from change in fair value during the year	8	(3,604)	18,313
Effect of tax		866	(4,590)
At 31 December		(3,508)	(770)

20.4 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.

Pursuant to Section 51(1) of the FSA, the Insurance Subsidiaries are required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend on its shares with effect from financial year beginning 1 January 2014.

21. OPERATING REVENUE

Group	Note	2016 RM'000	2015 RM'000
Gross earned premiums	22(a)	4,182,779	4,088,113
Investment income	23	495,707	430,961
		4,678,486	4,519,074
Company			
Investment income	23	88,765	22,470

NOTES TO THE FINANCIAL STATEMENTS

22. NET EARNED PREMIUMS

Group	Note	2016 RM'000	2015 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	17(a)	2,099,677	1,952,155
General	17.2	2,082,923	2,180,494
		4,182,600	4,132,649
Change in unearned premiums provision:			
General		179	(44,536)
Gross earned premiums		4,182,779	4,088,113
(b) Premiums ceded			
Insurance contracts:			
Life	17(a)	(152,189)	(163,983)
General	17.2	(321,305)	(379,036)
		(473,494)	(543,019)
Change in unearned premiums provision:			
General		(18,785)	(40,767)
Premiums ceded to reinsurers		(492,279)	(583,786)
Net earned premiums		3,690,500	3,504,327

23. INVESTMENT INCOME

Group	Note	2016 RM'000	2015 RM'000
Rental of premises from:			
- Investment properties	6	128	132
- Owner occupied properties		81	781
Fair value through profit or loss - Held for trading financial assets			
Interest income from:			
- Malaysian government securities		13,553	12,247
- Malaysian government guaranteed bonds		14,670	10,179
- Ringgit denominated bonds by foreign issuers outside Malaysia		245	244
- Unquoted bonds of corporations in Malaysia		32,116	22,156
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		20,489	15,265
- Quoted unit trusts in Malaysia		120	163
Interest income from/(expense to) licensed financial institutions:			
- Structured deposits		1,279	1,277
- Collateralised forward starting interest rate swap		(336)	(124)
Accretion of discounts on:			
- Malaysian government securities		342	254
- Malaysian government guaranteed bonds		585	390
- Unquoted bonds of corporations in Malaysia		253	28
Amortisation of premiums on:			
- Malaysian government securities		(149)	(125)
- Malaysian government guaranteed bonds		(17)	(28)
- Unquoted bonds of corporations in Malaysia		(513)	(391)

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME (CONTINUED)

Group	2016 RM'000	2015 RM'000
Available-for-sale financial assets		
Interest income from:		
- Malaysian government securities	101,686	106,687
- Malaysian government guaranteed bonds	64,097	55,940
- Ringgit denominated bonds by foreign issuers outside Malaysia	3,251	3,577
- Unquoted bonds of corporations in Malaysia	57,989	47,571
Dividend income from:		
- Quoted equity securities of corporations in Malaysia	16,061	11,189
- Quoted unit trusts in Malaysia	3,173	4,240
Accretion of discounts on:		
- Malaysian government securities	711	781
- Malaysian government guaranteed bonds	4,454	4,194
- Ringgit denominated bonds by foreign issuers outside Malaysia	69	75
- Unquoted bonds of corporations in Malaysia	18	-
- Structured deposits	409	393
Amortisation of premiums on:		
- Malaysian government securities	(1,810)	(2,337)
- Malaysian government guaranteed bonds	(153)	(151)
- Unquoted bonds of corporations in Malaysia	(1,240)	(1,207)
Interest income from licensed financial institutions:		
- Negotiable certificate of deposits	2,131	1,250
- Structured deposits	1,812	3,836

23. INVESTMENT INCOME (CONTINUED)

Group	2016 RM'000	2015 RM'000
Fair value through profit or loss - Designated upon initial recognition financial assets		
Interest income from:		
- Malaysian government securities	15,486	18,138
- Malaysian government guaranteed bonds	15,284	12,718
- Ringgit denominated bonds by foreign issuers outside Malaysia	994	1,328
- Unquoted bonds of corporations in Malaysia	64,295	54,516
- Unquoted bonds of corporations outside Malaysia	1,181	-
Interest income from/(expense to) licensed financial institutions:		
- Negotiable certificate of deposits	409	104
- Structured deposits	4,668	4,650
- Cross currency swap	(116)	-
Accretion of discounts on:		
- Malaysian government securities	350	226
- Malaysian government guaranteed bonds	552	424
- Ringgit denominated bonds by foreign issuers outside Malaysia	6	7
- Unquoted bonds of corporations in Malaysia	214	84
- Structured deposits	1,334	1,268
Amortisation of premiums on:		
- Malaysian government securities	(620)	(1,064)
- Malaysian government guaranteed bonds	(31)	(51)
- Unquoted bonds of corporations in Malaysia	(1,117)	(1,085)
- Unquoted bonds of corporations outside Malaysia	(112)	-
Loans and receivables		
Interest income from:		
- Malaysian government guaranteed loans	8,680	8,656
- Mortgage loans	329	499
- Policy loans	1,098	1,061
- Automatic premium loans	6,696	6,417
Interest income from licensed financial institutions:		
- Fixed and call deposits	33,462	19,699
- Bank balances	7,161	4,880
	495,707	430,961
Company		
Dividend income from subsidiary	85,313	19,250
Loans and receivables		
Interest income from licensed financial institutions:		
- Fixed and call deposits	1,002	776
Interest income on subordinated loan	2,450	2,444
	88,765	22,470

NOTES TO THE FINANCIAL STATEMENTS

24. REALISED GAINS AND LOSSES

Group	2016 RM'000	2015 RM'000
Property, plant and equipment		
Realised gains on disposal	50	55
Financial assets		
Realised gains on disposal:		
- Malaysian government securities	12,527	5,985
- Quoted equity securities of corporations in Malaysia	86,983	69,383
- Quoted equity securities of corporations outside Malaysia	416	171
- Quoted unit trusts in Malaysia	3,546	6,494
- Unquoted bonds of corporations in Malaysia	955	-
- Unquoted unit trusts outside Malaysia	9,835	5,314
Realised losses on disposal:		
- Malaysian government securities	(3,840)	(368)
- Malaysian government guaranteed bonds	(2,373)	-
- Quoted equity securities of corporations in Malaysia	(45,004)	(34,907)
- Quoted equity securities of corporations outside Malaysia	(330)	(101)
- Unquoted unit trusts outside Malaysia	(359)	(2,071)
- Put options	(1,549)	(1,638)
Total net realised gains for financial assets	60,807	48,262
Total net realised gains	60,857	48,317
Company		
Property, plant and equipment		
Realised gains/(losses) on disposal	45	(1)

25. FAIR VALUE GAINS AND LOSSES

Group	Note	2016 RM'000	2015 RM'000
Investment properties	6	(2,008)	540
Held for trading financial assets	8	(9,322)	7,637
Designated upon initial recognition financial assets	8	11,551	(4,232)
Derivatives		1,925	(3,109)
Total fair value gains on financial assets at FVTPL		4,154	296
Impairment loss on AFS financial assets	8	(29,404)	(56,480)
Total fair value losses		(27,258)	(55,644)

26. FEE AND COMMISSION

(a) Fee and commission income

Group	Note	2016 RM'000	2015 RM'000
Service charges		11,381	16,593
Deferred acquisition costs	5	3,559	6,381
Reinsurance commission income		47,990	46,937
Total fee and commission income		62,930	69,911

(b) Fee and commission expense

Group	Note	2016 RM'000	2015 RM'000
Gross direct commission		624,868	611,391
Deferred acquisition costs	5	(1,170)	1,608
Total fee and commission expense		623,698	612,999

27. NET BENEFITS AND CLAIMS

Group	Note	2016 RM'000	2015 RM'000
(a) Gross benefits and claims paid			
Insurance contracts:			
Life	17(a)	(772,969)	(658,368)
General	17.1	(1,251,293)	(1,026,526)
		(2,024,262)	(1,684,894)
(b) Claims ceded to reinsurers			
Insurance contracts:			
Life	17(a)	126,446	165,936
General	17.1	237,460	237,676
		363,906	403,612
(c) Gross change in contract liabilities			
Insurance contracts:			
Life		(948,141)	(931,179)
General		60,189	(109,131)
		(887,952)	(1,040,310)
(d) Change in contract liabilities ceded to reinsurers			
Insurance contracts:			
Life		(5,101)	(4,904)
General		(124,509)	(143,237)
		(129,610)	(148,141)
Net benefits and claims		(2,677,918)	(2,469,733)

NOTES TO THE FINANCIAL STATEMENTS

28. MANAGEMENT EXPENSES

Group	Note	2016 RM'000	2015 RM'000
Advertising and marketing expenses		26,304	23,585
Amortisation of intangible assets	4	16,256	15,294
Auditors' remuneration:			
- statutory audit fees		827	787
- non-audit fees		79	79
Insurance and other receivables:			
- allowance for/(reversal of) impairment loss		1,813	(6,904)
- bad debts recovered		(160)	(144)
- bad debts written off		1,284	6,885
Bank charges		15,755	14,266
Depreciation of property, plant and equipment	3	17,339	17,014
Employee benefits expense	28.1	224,550	226,369
Executive directors' emoluments		3,556	1,811
Non-executive directors' fee and other emoluments		2,883	1,936
Rental of office equipment		162	111
Rental of premises to third party		15,629	14,632
Other expenses		186,975	149,040
		513,252	464,761
Company			
Auditors' remuneration:			
- statutory audit fees		159	139
- non-audit fees		10	10
Depreciation of property, plant and equipment	3	155	150
Employee benefits expense	28.1	1,168	1,168
Executive directors' emoluments		486	303
Non-executive directors' fee and other emoluments	28.2	920	609
Rental of premises to third party		71	46
Other expenses		1,356	618
		4,325	3,043

28. MANAGEMENT EXPENSES (CONTINUED)

28.1 Employee benefits expense

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Wages and salaries	158,710	173,724	375	558
Social security contributions	1,285	1,128	5	4
Contributions to Employees' Provident Fund	24,084	24,704	152	119
Other benefits	40,471	26,813	636	487
	224,550	226,369	1,168	1,168

28.2 Key management personnel compensation

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Executive directors:				
Salaries and other emoluments	1,485	1,159	178	157
Bonus	2,015	617	252	111
Contributions to Employees' Provident Fund	56	35	56	35
Estimated monetary value of benefits-in-kind	36	19	7	2
	3,592	1,830	493	305
Non-executive directors:				
Fees	2,190	1,339	708	481
Other emoluments	693	597	212	128
Estimated monetary value of benefits-in-kind	24	18	-	-
	2,907	1,954	920	609
Other key management personnel*				
Short term employee benefits	10,096	8,413	-	-

* Other key management personnel are defined as those persons other than the Directors of the Group and Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

28. MANAGEMENT EXPENSES (CONTINUED)

28.2 Key management personnel compensation (continued)

The number of executive and non-executive directors whose total remuneration and other emoluments received during the year falls within the following bands is:

	Number of directors			
	Group		Company	
	2016	2015	2016	2015
Executive directors:				
Below RM1,000,000	1	1	2	2
RM1,000,000 and above	1	1	-	-
Non-executive directors:				
Below RM100,000	-	-	-	-
RM100,001 – RM200,000	-	1	5	5
RM200,001 – RM300,000	-	-	-	-
RM300,001 – RM400,000	1	3	-	-
RM400,001 – RM500,000	-	-	-	-
RM500,001 – RM600,000	3	-	-	-
RM600,001 – RM700,000	-	-	-	-
RM700,001 – RM800,000	-	1	-	-
RM800,001 – RM900,000	-	-	-	-
RM900,001 – RM1,000,000	1	-	-	-
Above RM1,000,001	-	-	-	-

28.3 Chief Executive Officers remuneration

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Salaries and other emoluments	2,787	2,135	106	92
Bonus	1,959	1,936	196	56
Contributions to Employees' Provident Fund	39	193	39	19
Estimated monetary value of benefits-in-kind	596	265	3	-
	5,381	4,529	344	167
Amount included in employee benefits expense	4,785	4,264	341	167

Included in the remuneration of Chief Executive Officers ("CEO") is the remuneration of the CEO, including benefits-in-kind, of the Group and the Company of RM3,443,000 (2015: RM1,692,000) and RM344,000 (2015: RM167,000) respectively who is also the executive director of the Group and the Company.

29. TAX EXPENSE

29.1 Recognised in profit or loss

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Current tax expense					
Current year		117,664	119,532	288	161
Double taxation relief		-	(1,753)	-	-
(Over)/Under provision in prior years		(3,454)	(972)	2	2
		114,210	116,807	290	163
Deferred tax expense					
Origination and reversal of temporary differences		27,301	18,690	(20)	(3)
Effect of changes in tax rate		-	(4,164)	-	-
Under/(Over) provision in prior years		949	(1,983)	47	-
	16.2	28,250	12,543	27	(3)
Total tax expense		142,460	129,350	317	160

29.2 Deferred tax recognised directly in other comprehensive income

Group	2016 RM'000	2015 RM'000
Available-for-sale fair value reserve		
At 1 January	(273)	(4,863)
Net (loss)/gain arising from change in fair value during the year	(866)	4,590
At 31 December	(1,139)	(273)
Revaluation reserve		
At 1 January	8,068	5,965
Net gain arising from change in fair value during the year	1,466	2,103
At 31 December	9,534	8,068

29. TAX EXPENSE (CONTINUED)

29.3 Deferred tax recognised in insurance contract liabilities

Group	Note	2016 RM'000	2015 RM'000
Hedging reserve			
At 1 January		(99)	-
Net gain/(loss) arising from change in fair value during the year	17(a)	101	(99)
At 31 December		2	(99)
Available-for-sale fair value reserve			
At 1 January		5,067	6,908
Net loss arising from change in fair value during the year	17(a)	(787)	(1,841)
At 31 December		4,280	5,067
Revaluation reserve			
At 1 January		465	132
Net gain arising from change in fair value during the year	17(a)	-	333
At 31 December		465	465

29.4 Reconciliation of tax expense

Group	2016 RM'000	2015 RM'000
Profit before tax	454,591	438,221
Tax at Malaysian tax rate of 24% (2015: 25%)	109,102	109,555
Tax rate differential of 16% (2015: 17%) in respect of life fund	3,429	1,680
Income not subject to tax	(157,294)	(142,564)
Section 110B tax credit set off	(877)	(867)
Non-deductible expenses	190,298	170,922
Double taxation relief	-	(1,753)
Effect of change in tax rate on deferred tax	-	(4,164)
Other items	307	(504)
	144,965	132,305
Over provision in prior years	(2,505)	(2,955)
Total tax expense	142,460	129,350

29. TAX EXPENSE (CONTINUED)

29.4 Reconciliation of tax expense (continued)

Company	2016 RM'000	2015 RM'000
Profit before tax	82,297	17,705
Tax at Malaysian tax rate of 24% (2015: 25%)	19,751	4,426
Income not subject to tax	(20,556)	(4,981)
Non-deductible expenses	1,073	713
	268	158
Under provision in prior years	49	2
Total tax expense	317	160

The income of the general business and life business shareholders' fund is taxed at 24% for year of assessment 2016 and 25% for year of assessment 2015. 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% (2015: 8%) applicable for life insurance business and 24% (2015: 25%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967 ("Act").

30. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2016 was based on the profit attributable to ordinary shareholders of RM312,131,000 (2015: RM308,871,000) and the weighted average number of ordinary shares in issue during the year of 171,251,000 (2015: 168,712,000).

Group	2016	2015
Profit attributable to ordinary shareholders (RM'000)	312,131	308,871
Weighted average number of shares in issue ('000)	171,251	168,712
Basic earnings per ordinary share (sen)	182.27	183.08

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2016 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	2016	2015
Profit attributable to ordinary shareholders (RM'000)	312,131	308,871
Weighted average number of shares in issue ('000)	171,251	168,712
Effect of conversion of ICPS ('000)	172,499	176,897
Diluted weighted average number of ordinary shares during the year ('000)	343,750	345,609
Diluted earnings per ordinary share (sen)	90.80	89.37

31. DIVIDENDS

Dividends recognised by the Company during the financial year are:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2016			
First and final 2015 preference	7.80	13,797	15 June 2016
First and final 2015 ordinary	6.50	11,006	15 June 2016
Interim 2016 preference	10.80	18,630	21 February 2017
Interim 2016 ordinary	9.00	15,633	21 February 2017
		59,066	

No dividend was recognised by the Company for the previous financial year.

32. OPERATING LEASES

32.1 Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group	2016 RM'000	2015 RM'000
Less than one year	10,603	15,091
Between one and five years	7,194	7,731
	17,797	22,822

The leases typically run for an initial period of 1-5 years, with an option to renew the leases. None of the leases include contingent rentals.

32.2 Leases as lessor

The Group leases out its investment properties under operating leases (see Note 6). The future minimum lease receivables under non-cancellable leases are as follows:

Group	2016 RM'000	2015 RM'000
Less than one year	214	240
Between one and five years	46	260
	260	500

33. CAPITAL COMMITMENTS

Group	2016 RM'000	2015 RM'000
Property, plant and equipment		
Approved but not contracted for	20,823	19,711
Contracted but not provided for	3,614	5,004
Software development		
Approved but not contracted for	51,742	34,736
Contracted but not provided for	3,121	1,853
Company		
Property, plant and equipment		
Approved but not contracted for	155	90
Contracted but not provided for	202	173

34. INVESTMENT-LINKED FUNDS (LIFE INSURANCE)

Investment-linked funds statement of assets and liabilities as at 31 December

Group	Note	2016 RM'000	2015 RM'000
Assets			
Financial investments		926,044	720,898
Interest and dividend receivables and other receivables		16,931	8,549
Cash and cash equivalents		94,850	114,900
Total assets		1,037,825	844,347
Liabilities			
Deferred tax liabilities		1,821	2,316
Other financial liabilities		3,896	198
Other payables		706	436
Benefits and claims liabilities		840	726
Total liabilities		7,263	3,676
Net asset value of funds	17(a)	1,030,562	840,671

34. INVESTMENT-LINKED FUNDS (LIFE INSURANCE) (CONTINUED)

Investment-linked funds statement of income and expenditure for the year ended 31 December

Group	Note	2016 RM'000	2015 RM'000
Investment income		29,626	23,865
Realised gains and losses		7,704	3,351
Fair value gains and losses		(6,930)	6,326
Other operating income		214	5
		30,614	33,547
Management expenses		(56)	-
Other operating expenses		(12,154)	(9,480)
Profit before tax		18,404	24,067
Tax expense		(1,516)	(1,836)
Net profit for the year	17(a)	16,888	22,231

35. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments. Each business segment is managed separately based on the Group's management and internal reporting structure.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment capital expenditure

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

35.1 Business segments

The Group comprises the following main business segments:

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

35.2 Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

35. 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
2016					
External revenue	13,054	2,242,665	2,422,767	-	4,678,486
Revenue from other segments	87,763	-	-	(87,763)	-
Total revenue	100,817	2,242,665	2,422,767	(87,763)	4,678,486
Segment results	83,467	320,520	138,367	(87,763)	454,591
Profit before tax					454,591
Tax expense					(142,460)
Profit for the year					312,131
Segment assets	443,649	5,789,498	8,679,230	-	14,912,377
Segment liabilities	107,476	3,773,312	8,152,066	-	12,032,854
Capital expenditure	125	12,875	8,391	-	21,391
Depreciation of property, plant and equipment	155	12,124	5,060	-	17,339
Amortisation of intangible assets	-	11,281	4,975	-	16,256
Allowance for impairment loss on receivables	-	862	951	-	1,813
Amortisation of premiums	-	2,090	3,672	-	5,762
Accretion of discounts	-	(3,675)	(5,622)	-	(9,297)
2015					
External revenue	12,506	2,277,997	2,228,571	-	4,519,074
Revenue from other segments	21,694	-	-	(21,694)	-
Total revenue	34,200	2,277,997	2,228,571	(21,694)	4,519,074
Segment results	20,971	322,327	116,617	(21,694)	438,221
Profit before tax					438,221
Tax expense					(129,350)
Profit for the year					308,871
Segment assets	375,016	5,707,128	7,535,280	-	13,617,424
Segment liabilities	67,245	3,845,326	7,083,533	-	10,996,104
Capital expenditure	577	26,120	8,393	-	35,090
Depreciation of property, plant and equipment	210	12,271	4,533	-	17,014
Amortisation of intangible assets	-	10,459	4,835	-	15,294
(Reversal of)/Allowance for impairment loss on receivables	-	(7,182)	278	-	(6,904)
Amortisation of premiums	-	2,435	4,004	-	6,439
Accretion of discounts	-	(3,412)	(4,712)	-	(8,124)

36. RELATED PARTIES

36.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and the Company, and certain members of Senior Management Committee of the Group and the Company. There were no significant transactions with the Group and the Company during the financial year other than key management personnel compensation as disclosed in Note 28.2.

36.2 The significant transactions with related parties are as follows:

Group	Amount transacted for the year ended 31 December 2016 RM'000	Amount transacted for the year ended 31 December 2015 RM'000
Trade		
Ultimate holding company		
Payment of reinsurance premium and commission	(4,445)	(2,482)
Related companies*		
Payment of reinsurance premium and commission	(280,066)	(304,743)
Payment of motor insurance premium	(348)	(255)
Payment of insurance premium	(360)	(49)
Non-trade		
Ultimate holding company		
Reimbursement/(Payment) of personnel expenses	1,481	(631)
Payment of global marketing expenses	(1,921)	(2,112)
Payment of advertisement cost	(448)	(226)
Payment of license fees	(29)	-
Reimbursement of expenses made on behalf	-	10
Payment of training and other fees	(19)	(84)
Payment of technical support fee	-	(57)
Payment of service fees	(147)	-
Payment of fees for sharing of Global Procument (excluding IT) services and support	(181)	-
Interest expense on advance received	(2,341)	(2,335)
Payment of business building and regional investment costs	(23,062)	-
Provision of regional audit services	1,114	1,271
Payment of relationship management fees	(754)	(650)
Provision of regional underwriting service	299	417
Payment of personnel expenses	(816)	(874)

36. RELATED PARTIES (CONTINUED)

36.2 The significant transactions with related parties are as follows (continued):

Group	Amount transacted for the year ended 31 December 2016 RM'000	Amount transacted for the year ended 31 December 2015 RM'000
Non-trade (continued)		
Related companies*		
Payment of service fees	(7,940)	(7,877)
Payment of other expenses	(293)	(176)
Investment and redemption of funds (including fund management fees)	35,194	16,561
Payment of investment advisory fees	(2,901)	(3,031)
Performance attribution analysis	(15)	(1)
Payment of intranet portal network cost	(178)	(128)
Insurance payment	(630)	(170)
Rental income	1,046	958
Reimbursement/(Payment) of sharing of common expenses	602	(721)
Sharing of asset and investment manager database expenses	(356)	(111)
Payment of software licenses	(494)	-
Sharing of expenses of HR database platform and recruitment solution	(84)	(52)
Payment of training and other fees	(30)	(109)
Loss on disposal of property, plant and equipment	(2)	-
Payment of professional fees	(11)	-
Consultant fees paid	(26)	-

* Related companies are companies within the Allianz SE group.

36. RELATED PARTIES (CONTINUED)

36.2 The significant transactions with related parties are as follows (continued):

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 9, 10, 13 and 14.

Company	Amount transacted for the year ended 31 December 2016 RM'000	Amount transacted for the year ended 31 December 2015 RM'000
Non-trade		
Ultimate holding company		
Interest expense on advance received	(2,341)	(2,335)
Provision of regional audit services	1,114	1,271
Subsidiaries		
Dividend income	85,313	19,250
Reimbursement of other expenses	25	61
Reimbursement of expenses related to common resources	15,368	12,429
Interest income on subordinated loan	2,450	2,444
Rental of other premises	(4)	-
Proceeds from disposal of property, plant and equipment	-	25

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 10, 14 and 15.

37. RISK MANAGEMENT FRAMEWORK

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is an integrated part of the Group's business process. In order to protect the assets of the Group, the Group has established a risk management framework to promote a risk management culture supported by a robust risk governance structure.

This framework ensures that risks are 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.

37. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(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.

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).

37. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Governance and regulatory framework

The Group is required to comply with the requirements of the Financial Services Act, 2013, relevant laws and guidelines from BNM, 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 stricter will apply.

38. INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims, frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group seeks to minimise insurance risk through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards.

38.1 Life insurance contracts

The insurance risk of Life insurance contracts consists of mortality/longevity/morbidity and calamity risks. Mortality/longevity/morbidity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as underestimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

The table below shows the concentration of actuarial liabilities by type of contract (with DPF and without DPF).

	Gross			Reinsurance			
Group	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
31 December 2016							
Whole life	2,510,907	924,548	3,435,455	-	(10,474)	(10,474)	3,424,981
Endowment	568,133	1,226,154	1,794,287	-	(18)	(18)	1,794,269
Mortgage	-	91,085	91,085	-	(49,483)	(49,483)	41,602
Riders and others	517,429	263,167	780,596	-	-	-	780,596
Total	3,596,469	2,504,954	6,101,423	-	(59,975)	(59,975)	6,041,448
31 December 2015							
Whole life	2,360,670	772,188	3,132,858	-	(11,060)	(11,060)	3,121,798
Endowment	650,048	890,958	1,541,006	-	-	-	1,541,006
Mortgage	-	98,849	98,849	-	(54,016)	(54,016)	44,833
Riders and others	470,774	215,027	685,801	-	-	-	685,801
Total	3,481,492	1,977,022	5,458,514	-	(65,076)	(65,076)	5,393,438

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.

38. INSURANCE RISK (CONTINUED)

38.1 Life insurance contracts (continued)

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' morbidity risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

  ALIM can increase the mortality/morbidity risk charges in future years in line with emerging experience for investment-linked and universal life contracts.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Expenses
  Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually; it is compared to actual expense that the subsidiary 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, the subsidiary has assumed a long term gross rate of return of 4.50% - 6.50% per annum. The long term gross rate of return is derived based on a basket of strategic asset allocations. The subsidiary 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 subsidiary's investment philosophy, market condition and the prevailing long term market return for each asset class.

NOTES TO THE FINANCIAL STATEMENTS

38. INSURANCE RISK (CONTINUED)

38.1 Life insurance contracts (continued)

Key assumptions (continued)

- Discount rate (continued)
  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.

The assumptions that have significant effects on the gross actuarial liabilities and reinsurance assets are listed below.

	Mortality and morbidity rates[1]		Lapse and surrender rates		Discount rate	
	2016	2015	2016	2015	2016	2015
Group	%	%	%	%	%	%
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-80	60-80	0.5-30	0.5-30	4.50-6.50	4.50-6.50
Without DPF contracts						
Life insurance	60-150	60-150	0.5-60	0.5-60	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.

38. INSURANCE RISK (CONTINUED)

38.1 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 and profit before tax. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Group	Change in assumptions	Impact on profit before tax# RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
Life insurance contracts				
31 December 2016				
Mortality and morbidity rates	+5%	(7,841)	13,316	10,786
Discount rate	-0.5%	(18,736)	196,002	194,350
Expenses	+10%	(9,104)	14,154	14,154
Lapse and surrender rates	-10%	743	5,845	5,543
31 December 2015				
Mortality and morbidity rates	+5%	(8,376)	14,310	11,595
Discount rate	-0.5%	(20,397)	264,495	262,656
Expenses	+10%	(10,464)	17,045	17,045
Lapse and surrender rates	-10%	866	13,564	13,236

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

\# The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In the sensitivity analysis above, changes in assumptions for life non-participating business would impact the profit before tax and insurance contract liabilities. In respect of life participating insurance business, it would only impact the insurance contract liabilities.

* The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risk represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below sets out the concentration of the general insurance risk based on the provision for outstanding claims as at the end of the reporting period by type of contract.

	2016			2015		
Group	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	249,449	(130,244)	119,205	279,854	(158,616)	121,238
Motor	1,496,320	(180,585)	1,315,735	1,465,497	(211,285)	1,254,212
Marine, aviation, cargo and transit	119,939	(97,186)	22,753	130,651	(110,459)	20,192
Miscellaneous	534,114	(345,847)	188,267	584,009	(398,011)	185,998
Total	2,399,822	(753,862)	1,645,960	2,460,011	(878,371)	1,581,640

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 provisions for the unexpired risks reserves and insurance claims at the minimum 75% of sufficiency, according to the requirement set by BNM under the RBC Framework.

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.

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

Sensitivities (continued)

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
31 December 2016					
Average claim cost	+10%	227,341	160,589	(160,589)	(122,047)
Average number of claims	+10%	241,410	195,552	(195,552)	(148,620)
Average claim settlement period	Increased by 6 months	33,547	24,343	(24,343)	(18,500)
31 December 2015					
Average claim cost	+10%	227,927	153,104	(153,104)	(114,828)
Average number of claims	+10%	234,096	187,923	(187,923)	(140,942)
Average claim settlement period	Increased by 6 months	31,464	21,926	(21,926)	(16,445)

* 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.

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 2016 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.

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance claims liabilities as at 31 December 2016:

Group **Accident year**	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		800,472	808,271	863,518	951,235	1,145,412	1,251,433	1,349,116	1,430,684	
One year later		819,547	828,768	784,221	848,149	1,182,773	1,193,164	1,278,469	-	
Two years later		827,424	810,356	754,244	835,047	1,119,096	1,154,151	-	-	
Three years later		829,042	800,033	749,694	834,615	1,096,339	-	-	-	
Four years later		805,420	805,627	739,601	824,627	-	-	-	-	
Five years later		799,475	796,137	731,371	-	-	-	-	-	
Six years later		780,736	773,413	-	-	-	-	-	-	
Seven years later		764,112	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		764,112	773,413	731,371	824,627	1,096,339	1,154,151	1,278,469	1,430,684	
At end of accident year		250,248	214,460	244,889	259,072	344,349	375,685	387,586	514,882	
One year later		565,497	454,277	520,198	544,612	729,326	771,098	861,538	-	
Two years later		683,192	580,037	620,775	648,982	857,382	924,768	-	-	
Three years later		721,408	612,202	656,267	711,572	916,928	-	-	-	
Four years later		733,797	650,174	668,021	731,860	-	-	-	-	
Five years later		736,592	654,652	675,224	-	-	-	-	-	
Six years later		739,949	657,660	-	-	-	-	-	-	
Seven years later		741,013	-	-	-	-	-	-	-	
Cumulative payments to-date		741,013	657,660	675,224	731,860	916,928	924,768	861,538	514,882	
Gross general insurance claims liabilities (direct and facultative)	64,214	23,099	115,753	56,147	92,767	179,411	229,383	416,931	915,802	2,093,507
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										63,217
Best estimate of claims liabilities										2,156,724
Claims handling expenses										15,270
PRAD at 75% confidence level										227,828
Gross general insurance claims liabilities										2,399,822

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance claims liabilities as at 31 December 2015:

Group Accident year	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year		600,933	800,472	808,271	863,518	951,235	1,145,412	1,251,433	1,349,116	
One year later		581,075	819,547	828,768	784,221	848,149	1,182,773	1,193,164	-	
Two years later		587,257	827,424	810,356	754,244	835,047	1,119,096	-	-	
Three years later		593,676	829,042	800,033	749,694	834,615	-	-	-	
Four years later		584,185	805,420	805,627	739,601	-	-	-	-	
Five years later		573,592	799,475	796,137	-	-	-	-	-	
Six years later		562,792	780,736	-	-	-	-	-	-	
Seven years later		572,095	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		572,095	780,736	796,137	739,601	834,615	1,119,096	1,193,164	1,349,116	
At end of accident year		183,848	250,248	214,460	244,889	259,072	344,439	375,685	387,586	
One year later		366,451	565,497	454,277	520,198	544,612	729,326	771,098	-	
Two years later		445,223	683,192	580,037	620,775	648,982	857,382	-	-	
Three years later		482,302	721,408	612,202	656,267	711,572	-	-	-	
Four years later		495,924	733,797	650,174	668,021	-	-	-	-	
Five years later		504,364	736,592	654,652	-	-	-	-	-	
Six years later		510,120	739,949	-	-	-	-	-	-	
Seven years later		511,836	-	-	-	-	-	-	-	
Cumulative payments to-date		511,836	739,949	654,652	668,021	711,572	857,382	771,098	387,586	
Gross general insurance claims liabilities (direct and facultative)	40,424	60,259	40,787	141,485	71,580	123,043	261,714	422,066	961,530	2,122,888
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										82,598
Best estimate of claims liabilities										2,205,486
Claims handling expenses										17,973
PRAD at 75% confidence level										236,552
Gross general insurance claims liabilities										2,460,011

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2016:

Group Accident year	Before 2009 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	Total RM'000
At end of accident year		472,716	517,803	622,921	675,017	875,651	971,458	1,101,454	1,200,101	
One year later		479,710	494,994	570,921	616,026	779,429	932,778	1,073,872	-	
Two years later		493,315	502,000	558,132	593,496	790,197	906,323	-	-	
Three years later		498,099	498,434	545,582	601,511	784,588	-	-	-	
Four years later		494,929	492,329	540,200	597,496	-	-	-	-	
Five years later		486,958	488,023	535,768	-	-	-	-	-	
Six years later		478,346	482,876	-	-	-	-	-	-	
Seven years later		465,698	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		465,698	482,876	535,768	597,496	784,588	906,323	1,073,872	1,200,101	
At end of accident year		191,803	188,247	201,756	216,325	294,253	326,831	356,733	468,300	
One year later		343,484	352,308	390,265	424,771	572,157	638,954	746,891	-	
Two years later		408,146	418,534	462,811	497,895	667,310	743,920	-	-	
Three years later		438,664	444,732	487,223	533,335	704,910	-	-	-	
Four years later		447,322	455,224	496,026	546,263	-	-	-	-	
Five years later		449,931	458,162	501,189	-	-	-	-	-	
Six years later		452,156	459,895	-	-	-	-	-	-	
Seven years later		452,874	-	-	-	-	-	-	-	
Cumulative payments to-date		452,874	459,895	501,189	546,263	704,910	743,920	746,891	468,300	
Net general insurance claims liabilities (direct and facultative)	25,017	12,824	22,981	34,579	51,233	79,678	162,403	326,981	731,801	1,447,497
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										59,887
Best estimate of claims liabilities										1,507,384
Claims handling expenses										15,270
PRAD at 75% confidence level										123,306
Net general insurance claims liabilities										1,645,960

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2015:

Group **Accident year**	Before 2008 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	Total RM'000
At end of accident year		419,318	472,716	517,803	622,921	675,017	875,651	971,457	1,101,454	
One year later		422,319	479,710	494,994	570,921	616,026	779,429	932,778	-	
Two years later		431,658	493,315	502,000	558,132	593,496	790,197	-	-	
Three years later		441,584	498,099	498,434	545,582	601,511	-	-	-	
Four years later		441,534	494,929	492,329	540,200	-	-	-	-	
Five years later		435,122	486,958	488,023	-	-	-	-	-	
Six years later		424,295	478,346	-	-	-	-	-	-	
Seven years later		421,681	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		421,681	478,346	488,023	540,200	601,511	790,197	932,778	1,101,454	
At end of accident year		165,070	191,803	188,247	201,756	216,325	294,253	326,831	356,733	
One year later		305,313	343,484	352,308	390,265	424,771	572,157	638,954	-	
Two years later		350,112	408,146	418,534	462,811	497,895	667,310	-	-	
Three years later		376,842	438,664	444,732	487,223	533,335	-	-	-	
Four years later		384,686	447,322	455,224	496,026	-	-	-	-	
Five years later		389,404	449,931	458,162	-	-	-	-	-	
Six years later		391,967	452,156	-	-	-	-	-	-	
Seven years later		393,166	-	-	-	-	-	-	-	
Cumulative payments to-date		393,166	452,156	458,162	496,026	533,335	667,310	638,954	356,733	
Net general insurance claims liabilities (direct and facultative)	18,645	28,515	26,190	29,861	44,174	68,176	122,887	293,824	744,721	1,376,993
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia and MMIP)										68,184
Best estimate of claims liabilities										1,445,177
Claims handling expenses										17,973
PRAD at 75% confidence level										118,490
Net general insurance claims liabilities										1,581,640

39. FINANCIAL RISKS

Exposure to credit, liquidity, market (currency risk, interest rate risk, equity price risk) and operational risk arises in the normal course of the Group's and the Company's business. The Group and the Company are guided by its risk management framework as well as policies and guidelines from the ultimate holding company, Allianz SE which set out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

39.1 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the reinsurance assets, insurance receivables and the investment/placement in fixed income instruments and bank balances. The Company's exposure to credit risk arises principally from subordinated loan to subsidiary. Financial loss may materialise when the counterparties failed to meet payment obligations for various reasons.

The Group has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an on-going basis. Reinsurance is mainly to local insurers or offshore reinsurers, and if the Group has to place overseas, only counterparties that have a credit rating that is acceptable based on Allianz Guidelines for Reinsurance Security are used.

With effect from 12 September 2008, all new bond investments must carry a minimum rating of AA- by rating agencies established in Malaysia or a minimum rating of BBB- by any internationally recognised rating agency as outlined in the Group's Investment Mandate which is approved by the Board of Directors.

The Group and the Company consider rating of BBB and above as investment grades and ratings below BBB as non-investment grades. Assets which are not rated by rating agencies are classified as non-rated.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

	Neither past-due nor impaired								
Group	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
2016									
LAR									
Malaysian government guaranteed loans	-	-	-	-	-	190,000	-	-	190,000
Other loans	-	-	-	-	-	107,555	-	-	107,555
Fixed and call deposits	198,770	246,490	-	-	-	-	3,110	-	448,370
AFS financial investments									
Malaysian government securities	-	-	-	-	-	2,471,201	-	-	2,471,201
Malaysian government guaranteed bonds	-	-	-	-	-	1,535,799	-	-	1,535,799
Ringgit denominated bonds by foreign issuers outside Malaysia	32,036	42,050	-	-	-	-	-	-	74,086
Unquoted bonds of corporations in Malaysia	621,425	737,115	-	3,749	-	-	-	-	1,362,289

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Group	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
	← Neither past-due nor impaired →								
2016 (continued)									
AFS financial investments (continued)									
Structured deposits and negotiable certificate of deposits with licensed financial institutions	94,232	-	-	-	-	-	-	-	94,232
FVTPL - HFT financial investments									
Malaysian government securities	-	-	-	-	-	396,801	40,832	-	437,633
Malaysian government guaranteed bonds	-	-	-	-	-	370,470	26,981	-	397,451
Ringgit denominated bonds by foreign issuers outside Malaysia	-	1,529	-	-	-	-	3,569	-	5,098
Unquoted bonds of corporations in Malaysia	274,231	303,336	-	-	-	-	229,550	-	807,117
Structured deposits with licensed financial institutions	15,146	-	-	-	-	-	15,148	-	30,294
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	456,618	-	-	456,618
Malaysian government guaranteed bonds	-	-	-	-	-	384,367	-	-	384,367
Ringgit denominated bonds by foreign issuers outside Malaysia	3,003	18,727	-	-	-	-	-	-	21,730
Unquoted bonds of corporations in Malaysia	730,113	763,638	-	5,180	-	-	-	-	1,498,931
Unquoted bonds of corporations outside Malaysia	-	-	21,679	53,294	-	41,792	-	-	116,765
Structured deposits and negotiable certificate of deposits with licensed financial institutions	133,473	-	-	-	-	-	-	-	133,473
Derivative financial assets									
Collateralised forward starting interest rate swap	14,996	-	-	-	-	-	-	-	14,996
Forward purchase agreements	429	-	-	-	-	-	-	-	429
Reinsurance assets	-	88,511	26,262	22	-	489,642	-	-	604,437
Insurance receivables#	-	399	1,062	-	-	241,235	-	27,477	270,173
Other receivables and deposits	-	-	-	-	-	240,732	16,931	-	257,663
Cash and cash equivalents	366,474	139,005	24,487	-	-	488	94,850	-	625,304
	2,484,328	2,340,800	73,490	62,245	-	6,926,700	430,971	27,477	12,346,011

Net of balances which are past due and impaired of RM21,664,000 which has been fully provided (See Note 39.1(ii)).

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

	← Neither past-due nor impaired →								
Company	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
2016									
Other receivables and deposits	-	-	-	-	-	67,019	-	-	67,019
Subordinated loan	-	-	-	-	-	54,300	-	-	54,300
Cash and cash equivalents	18,077	4,095	7,554	-	-	-	-	-	29,726
	18,077	4,095	7,554	-	-	121,319	-	-	151,045

	← Neither past-due nor impaired →								
Group	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
2015									
LAR									
Malaysian government guaranteed loans	-	-	-	-	-	260,000	-	-	260,000
Other loans	-	-	-	-	-	109,323	-	-	109,323
Fixed and call deposits	128,000	89,540	-	-	-	-	3,791	-	221,331
AFS financial investments									
Malaysian government securities	-	-	-	-	-	2,807,363	-	-	2,807,363
Malaysian government guaranteed bonds	15,094	-	-	-	-	1,399,843	-	-	1,414,937
Ringgit denominated bonds by foreign issuers outside Malaysia	57,688	16,623	-	-	-	-	-	-	74,311
Unquoted bonds of corporations in Malaysia	439,844	675,514	-	3,749	-	-	-	-	1,119,107
Structured deposits and negotiable certificate of deposits with licensed financial institutions	154,347	-	-	-	-	-	-	-	154,347

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	Neither past-due nor impaired								
Group	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
2015 (continued)									
FVTPL - HFT financial investments									
Malaysian government securities	-	-	-	-	-	344,106	2,515	-	346,621
Malaysian government guaranteed bonds	-	-	-	-	-	238,125	26,752	-	264,877
Ringgit denominated bonds by foreign issuers outside Malaysia	1,535	-	-	-	-	-	3,582	-	5,117
Unquoted bonds of corporations in Malaysia	185,273	208,304	-	-	-	-	182,421	-	575,998
Structured deposits with licensed financial institutions	15,047	-	-	-	-	-	15,048	-	30,095
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	462,962	-	-	462,962
Malaysian government guaranteed bonds	-	-	-	-	-	329,191	-	-	329,191
Ringgit denominated bonds by foreign issuers outside Malaysia	13,243	8,563	-	-	-	-	-	-	21,806
Unquoted bonds of corporations in Malaysia	573,268	616,569	-	5,180	-	-	-	-	1,195,017
Structured deposits and negotiable certificate of deposits with licensed financial institutions	131,758	-	-	-	-	-	-	-	131,758
Derivative financial assets									
Collateralised forward starting interest rate swap	5,724	-	-	-	-	-	-	-	5,724
Reinsurance assets	-	386,281	161,185	1	13	147,849	-	-	695,329
Insurance receivables#	-	266	927	-	-	239,912	-	17,740	258,845
Other receivables and deposits	-	-	-	-	-	221,336	8,549	-	229,885
Cash and cash equivalents	295,626	99,337	106,010	-	-	5,775	114,900	-	621,648
	2,016,447	2,100,997	268,122	8,930	13	6,565,785	357,558	17,740	11,335,592

Net of balances which are past due and impaired of RM21,076,000 which has been fully provided (See Note 39.1(ii)).

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Company	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
	← Neither past-due nor impaired						→		
2015									
LAR									
Fixed and call deposits	2,000	4,540	-	-	-	-	-	-	6,540
Other receivables and deposits	-	-	-	-	-	6,673	-	-	6,673
Subordinated loan	-	-	-	-	-	54,300	-	-	54,300
Cash and cash equivalents	18,236	5,500	1,629	-	-	-	-	-	25,365
	20,236	10,040	1,629	-	-	60,973	-	-	92,878

The Group has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

Group	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	>91 days RM'000	Investment-linked funds RM'000	Total RM'000
2016						
Insurance receivables	21,255	1,762	2,928	1,532	-	27,477
2015						
Insurance receivables	10,400	1,537	2,129	3,674	-	17,740

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

As at 31 December 2016, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM21,644,000 (2015: RM21,076,000) and other receivables of RM1,987,000 (2015: RM742,000) 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 insurance receivables and other receivables are as follows:

	Insurance receivables		Other receivables	
	2016	2015	2016	2015
Group	RM'000	RM'000	RM'000	RM'000
At 1 January	21,076	23,017	742	5,705
Impairment loss recognised/ (reversed)	568	(1,941)	1,245	(4,963)
At 31 December	21,644	21,076	1,987	742
	Note 9	Note 9	Note 10	Note 10

39.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Group and the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Group and the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a sufficient portion of liquid assets in the portfolio. Some other tools used by the Group include ensuring that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

Maturity profiles

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities of life insurance and provision for claims of general insurance, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Investment-linked funds' liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.2 Liquidity risk (continued)

Maturity profiles (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2016								
Insurance contract liabilities								
With DPF	3,812,445	765,386	307,473	325,888	1,872,564	7,632,677	-	10,903,988
Without DPF	3,535,517	3,138,548	42,450	30,263	284,683	259,746	-	3,755,690
Derivative financial liabilities	13,873	13,873	-	-	-	-	-	13,873
Provision for claims	1,677,124	1,007,985	547,002	99,486	22,651	-	-	1,677,124
Other financial liabilities	5,346	4,783	563	-	-	-	-	5,346
Insurance payables	372,450	361,246	11,204	-	-	-	-	372,450
Other payables and accruals	371,881	319,916	55,477	-	-	-	-	375,393
Benefits and claims liabilities	253,726	253,726	-	-	-	-	-	253,726
Total liabilities	10,042,362	5,865,463	964,169	455,637	2,179,898	7,892,423	-	17,357,590
Company								
2016								
Other payables and accruals	259,998	208,033	55,477	-	-	-	-	263,510
Group								
2015								
Insurance contract liabilities								
With DPF	3,590,017	493,567	262,226	330,832	1,979,377	7,636,302	-	10,702,304
Without DPF	2,817,694	2,401,359	52,936	30,733	284,784	295,498	-	3,065,310
Derivative financial liabilities	3,454	3,454	-	-	-	-	-	3,454
Provision for claims	1,723,804	1,081,323	544,898	85,082	12,501	-	-	1,723,804
Other financial liabilities	959	276	683	-	-	-	-	959
Insurance payables	393,168	377,459	15,660	49	-	-	-	393,168
Other payables and accruals	281,372	229,414	57,812	-	-	-	-	287,226
Benefits and claims liabilities	194,563	194,563	-	-	-	-	-	194,563
Total liabilities	9,005,031	4,781,415	934,215	446,696	2,276,662	7,931,800	-	16,370,788
Company								
2015								
Other payables and accruals	224,825	172,867	57,812	-	-	-	-	230,679

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to participations. This includes changes in market prices due to worsening of market liquidity. Market risk comprises of currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee actively monitors the investment activities undertaken by the Group.
- Investment Committee would recommend the initiatives after balancing competing and legitimate objective of various stakeholders.
- The Investment Policy and Mandate which formulated the single counter limits, company limits and sector limits are in place. Compliance to such limits is monitored monthly and reported to Risk Management Working Committee/ Risk Management Committee on a quarterly basis.
- Stress tests are performed as and when needed.
- Stop loss policy is in place.

The Group also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from fund management charges is based on the value of the assets in the funds.

39.3.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign currency risk arises principally with respect to US Dollar (USD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk. All foreign currency risk in investment-linked funds is borne by policyholders.

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.1 Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Group	Life fund 2016 RM'000	Investment-linked funds 2016 RM'000	Life fund 2015 RM'000	Investment-linked funds 2015 RM'000
Financial assets				
Denominated in				
USD	116,765	12,633	31,359	13,295
SGD	-	15,505	-	719
THB	-	5,028	-	154
IDR	-	4,382	-	536

Currency risk sensitivity analysis

It is estimated that a 10% (2015: 10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have increased/(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 2016 RM'000	Impact on insurance contract liabilities 2015 RM'000
Denominated in		
USD	(12,940)	(4,465)
SGD	(1,551)	(72)
THB	(503)	(15)
IDR	(438)	(54)

It is estimated that a 10% (2015: 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.

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.2 Interest rate risk

The Group is affected by changes in market interest rate due to the change in interest rates will affect the value of mark to market fixed income investments and also the valuation of the liabilities, resulting in the risk of not being able to meet product guarantees.

Besides the uncertainty of the cash flows of the insurance funds and scarcity of the longer dated instruments, it is not possible to hold assets that will perfectly match the policy liabilities.

Interest rate risk sensitivity analysis

The analysis below is performed for reasonable possible movements in interest rates with all other variables held constant, showing the impact on the profit before tax, equity and insurance contract liabilities.

Life insurance:

Group	Change in variables	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
31 December 2016				
Interest rate	+100 basis points	(67,607)	(54,259)	(318,486)
Interest rate	-100 basis points	73,948	59,184	366,225
31 December 2015				
Interest rate	+100 basis points	(64,171)	(52,016)	(280,737)
Interest rate	-100 basis points	70,515	56,940	321,550

The impact on profit before tax would be dependent on whether the interest rate risk resides in shareholders' fund, life non-participating fund, life participating fund or investment-linked funds. Where the interest rate risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit before tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in interest rate risk would affect the insurance contract liabilities.

* Impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

There has been no significant change in the method used for deriving sensitivity information and significant variables as compared to the previous year.

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.2 Interest rate risk (continued)

General insurance:

Group	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000
31 December 2016			
Interest rate	+100 basis points	-	(100,579)
Interest rate	+50 basis points	-	(50,289)
31 December 2015			
Interest rate	+100 basis points	-	(88,105)
Interest rate	+50 basis points	-	(44,053)

* Impact on equity reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

39.3.3 Equity price risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity price risk exposures relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments securities not held for the account of the investment-linked business.

The Group's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Group complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit before tax, equity and insurance contract liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.3 Equity price risk (continued)

Life insurance:

		2016			2015		
Group	Changes in variables	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
Market indices							
Market value	-10%	-	-	(149,432)	-	-	(114,739)
Market value	-20%	-	-	(298,864)	-	-	(229,477)

\# The above illustration is only prepared for adverse scenario, where market price is being moved in an unfavourable direction. The impact on profit before tax would be dependent on whether the equity price risk resides in shareholders' fund, life non-participating fund, life participating fund or investment-linked funds. Where the equity price risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit before tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in equity price risk would affect the insurance contract liabilities.

* Impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

Only life participating fund, universal life fund and investment-linked funds invested in equity securities.

39.4 Operational risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Group's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

Relevant operational risks and control weaknesses are identified and evaluated via a structured self-assessment. Besides, operational risk events are collected so that significant losses can be used to analyse and provide measures aimed at avoiding or reducing future losses.

The Group puts in place the following controls to monitor and mitigate such risk:

- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training; and
- Evaluation procedures such as internal audit.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.5 Fair value of financial instruments

The Group's and the Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits, negotiable certificate of deposits, collateralised forward starting interest rate swap, 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 (2015: market closing 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 (2015: indicative market yields obtained from three financial institutions).

- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers.

- The carrying amounts of Malaysian government guaranteed loans, policy loans, mortgage loans, automatic premium loans, fixed and call deposits, subordinated loan, other secured loans and advance from holding company are assumed to reasonably approximate their fair values.

- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits, other financial liabilities, insurance payables, other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank (2015: indicative market yields obtained from three financial institutions) 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.

39. FINANCIAL RISKS (CONTINUED)

39.5 Fair value of financial instruments (continued)

39.5.1 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
2016										
Financial assets										
Malaysian government securities	-	3,365,452	-	3,365,452	-	-	-	-	3,365,452	3,365,452
Malaysian government guaranteed bonds	-	2,317,617	-	2,317,617	-	-	-	-	2,317,617	2,317,617
Ringgit denominated bonds by foreign issuers outside Malaysia	-	100,914	-	100,914	-	-	-	-	100,914	100,914
Quoted equity securities of corporations in Malaysia	1,544,889	-	-	1,544,889	-	-	-	-	1,544,889	1,544,889
Quoted equity securities of corporations outside Malaysia	24,916	-	-	24,916	-	-	-	-	24,916	24,916
Unquoted bonds of corporations in Malaysia	-	3,668,337	-	3,668,337	-	-	-	-	3,668,337	3,668,337
Unquoted bonds of corporations outside Malaysia	-	116,765	-	116,765	-	-	-	-	116,765	116,765
Quoted unit trusts in Malaysia	54,458	-	-	54,458	-	-	-	-	54,458	54,458
Unquoted unit trusts in Malaysia	-	6,023	-	6,023	-	-	-	-	6,023	6,023
Unquoted unit trusts outside Malaysia	-	12,633	-	12,633	-	-	-	-	12,633	12,633
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	257,999	-	257,999	-	-	-	-	257,999	257,999
Malaysian government guaranteed loans	-	-	-	-	-	190,000	-	190,000	190,000	190,000
Collateralised forward starting interest rate swap	-	14,996	-	14,996	-	-	-	-	14,996	14,996
Forward purchase agreements	-	429	-	429	-	-	-	-	429	429
	1,624,263	9,861,165	-	11,485,428	-	190,000	-	190,000	11,675,428	11,675,428

39. FINANCIAL RISKS (CONTINUED)

39.5 Fair value of financial instruments (continued)

39.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
2016										
Financial liabilities										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300
Forward purchase agreements	-	3,114	-	3,114	-	-	-	-	3,114	3,114
Cross currency swap	-	10,759	-	10,759	-	-	-	-	10,759	10,759
	-	13,873	-	13,873	-	54,300	-	54,300	68,173	68,173
Company										
2016										
Financial liability										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300

39. FINANCIAL RISKS (CONTINUED)

39.5 Fair value of financial instruments (continued)

39.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
2015										
Financial assets										
Malaysian government securities	-	3,616,946	-	3,616,946	-	-	-	-	3,616,946	3,616,946
Malaysian government guaranteed bonds	-	2,009,005	-	2,009,005	-	-	-	-	2,009,005	2,009,005
Ringgit denominated bonds by foreign issuers outside Malaysia	-	101,234	-	101,234	-	-	-	-	101,234	101,234
Quoted equity securities of corporations in Malaysia	1,197,790	-	-	1,197,790	-	-	-	-	1,197,790	1,197,790
Quoted equity securities of corporations outside Malaysia	1,409	-	-	1,409	-	-	-	-	1,409	1,409
Unquoted bonds of corporations in Malaysia	-	2,890,122	-	2,890,122	-	-	-	-	2,890,122	2,890,122
Quoted unit trusts in Malaysia	47,959	-	-	47,959	-	-	-	-	47,959	47,959
Unquoted unit trusts in Malaysia	-	4,430	-	4,430	-	-	-	-	4,430	4,430
Unquoted unit trusts outside Malaysia	-	44,654	-	44,654	-	-	-	-	44,654	44,654
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	316,200	-	316,200	-	-	-	-	316,200	316,200
Malaysian government guaranteed loans	-	-	-	-	-	260,000	-	260,000	260,000	260,000
Collateralised forward starting interest rate swap	-	5,724	-	5,724	-	-	-	-	5,724	5,724
	1,247,158	8,988,315	-	10,235,473	-	260,000	-	260,000	10,495,473	10,495,473

39. FINANCIAL RISKS (CONTINUED)

39.5 Fair value of financial instruments (continued)

39.5.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position (continued).

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
Group	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	Total fair value RM'000	Carrying amount RM'000
2015										
Financial liabilities										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300
Collateralised forward starting interest rate swap	-	2,215	-	2,215	-	-	-	-	2,215	2,215
Forward purchase agreements	-	1,239	-	1,239	-	-	-	-	1,239	1,239
	-	3,454	-	3,454	-	54,300	-	54,300	57,754	57,754
Company										
2015										
Financial liability										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2015: no transfer in either direction).

40. CAPITAL MANAGEMENT

Regulatory capital requirements

The Risk-Based Capital Framework ("RBC") came into effect on 1 January 2009. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The insurance subsidiaries of the Group have been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirement.

41. SUBSEQUENT EVENT

The Allianz SE and Standard Chartered Bank entered into a 15-year bancaassurance agreement for the distribution of Allianz's general insurance products, including travel, personal accident, fire and motor insurance products, to Standard Chartered's Retail Banking clients in five key markets across Asia, namely Malaysia, Singapore, Indonesia, Hong Kong and China.

The new partnership arrangements in the respective countries will be implemented during the course of 2017.

42. 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. 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.

43. SUPPLEMENTARY FINANCIAL INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follows:

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Total retained earnings of Allianz Malaysia Berhad and its subsidiaries:				
- Realised	2,217,954	1,937,022	249,301	226,416
- Unrealised	(147,886)	(120,019)	27	(2)
Total retained earnings	2,070,068	1,817,003	249,328	226,414

The determination of realised and unrealised profits is based on the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 154 to 266 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 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 2016 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 43 on page 267 to the financial statements has been compiled in accordance with Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………

Tan Sri Razali Bin Ismail
Director

……………………………………………………………

Zakri Bin Mohd Khir
Director

Kuala Lumpur,

Date: 24 February 2017

STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, **Ong Eng Chow**, the Director primarily responsible for the financial management of Allianz Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 154 to 267 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 24 February 2017.

…………....…………………..
Ong Eng Chow

Before me:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD
(COMPANY NO:12428-W) (INCORPORATED IN MALAYSIA)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Allianz Malaysia Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 154 to 266.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, 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, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD
(COMPANY NO:12428-W) (INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of life insurance contract liabilities (RM6,041 million)

Refer to Note 17(a) - Life insurance contract liabilities

The key audit matter	How the matter was addressed in our audit
Valuation of life insurance contract liabilities is a key audit matter because significant judgement is required in determining the ultimate total settlement value of long term policyholder liabilities and in the choice of assumptions. Economic assumptions, such as discount rates, and operating assumptions, such as mortality and morbidity, persistency and expenses are the key inputs used in the valuation of these long term liabilities. Specific audit and actuarial expertise is required to evaluate these complex and judgemental methods and assumptions.	In this area our audit procedures included, amongst others: • evaluating the design and implementation as well as testing the operating effectiveness of key controls in the life insurance contract liabilities measurement process. This included controls over the integrity of data used in the calculation of insurance liabilities. • we used our own actuarial specialist to assist us in challenging the methodology and assumptions used by the Group. • we evaluated whether the Group's valuation methodology for estimating the long term liabilities is in line with the valuation methods specified in the Risk-Based Capital Framework ("RBC Framework") set out in Note 2.25.2 to the financial statements. • we challenged the appropriateness of the key actuarial assumptions, particularly around discount rates, mortality and morbidity, persistency and expenses by comparing them with our expectations based on the Group's actual historical experience, current trends and our views on experience to-date. • we assessed the analysis of movements in insurance contract liabilities and considered whether the movements during the year are consistent with the key actuarial assumptions adopted by the Group and our general understanding of developments in the life insurance business. • we also assessed whether the Group's disclosures in relation to insurance contract liabilities are in line with relevant accounting requirements, including the sensitivities of the key actuarial assumptions to alternative scenarios.

KEY AUDIT MATTERS (CONTINUED)

Valuation of general insurance contract liabilities (RM1,646 million)

Refer to Note 17(b) - General insurance contract liabilities

The key audit matter	How the matter was addressed in our audit
Valuation of general insurance claims liabilities is a key audit matter because significant judgement is required, particularly in determining the ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with the related claims handling costs. A range of methods have been used to determine these provisions. Underlying these methods are a number of explicit or implicit assumptions relating to the expected settlement amount and settlement patterns of claims incurred. Understanding of the general insurance industry and actuarial expertise is required to evaluate these judgemental methods and assumptions.	In this area our audit procedures included, amongst others: • evaluating the design and implementation as well as testing the operating effectiveness of key controls in the general insurance claims liabilities measurement process. These included controls over the integrity of data used in the calculation of claims liabilities and controls over individual claims case estimates and settlements. • we tested the underlying data used in the Group claims estimation process to source documents. • we used our own actuarial specialist to assist us in challenging the methods and assumptions used by the Group. • we evaluated whether the Group's valuation methodology for estimating the insurance claims liabilities is in line with the valuation methods specified in the RBC Framework set out in Note 2.25.1 to the financial statements. • we challenged the appropriateness of the key actuarial assumptions, particularly around loss ratios adopted, estimates of the frequency and severity of claims, and provision for risk margins by comparing them with our expectations based on the Group's actual historical experience, current trends and our own industry knowledge. • our actuarial specialist performed independent re-projections of selected classes of business, particularly focusing on the largest and most uncertain claims reserves. For these selected classes, we compared our re-projected claims reserves to those recorded by management, and sought to understand any significant differences. • we also assessed whether the Group's disclosures in relation to insurance contract liabilities are in line with relevant accounting requirements, including the sensitivities of the key actuarial assumptions to alternative scenarios and historic claims development.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD
(COMPANY NO:12428-W) (INCORPORATED IN MALAYSIA)

KEY AUDIT MATTERS (CONTINUED)

Valuation of hard to value investments (RM3,886 million)

Refer to Note 8 - Investments

The key audit matter	How the matter was addressed in our audit
Investments are the largest asset component on the statements of financial position, representing 82% of the Group's total assets. In particular, the risk associated with valuation is higher over hard to value investments because reliable quoted prices are not always readily available. Investments comprising the unquoted Ringgit denominated bonds and unquoted bonds of corporations amounting to RM3,886 million (representing 32% of total investments balance) are considered hard to value as up-to-date prices are not readily available as the bonds are not publicly traded on any exchange. Reliability of prices of these bonds are also affected when there is low trading volume or inactivity. The market prices of these bonds is presently based on the indicative market prices provided by its custodian bank. The valuation of these bonds will have an impact on the assessment of impairment since the Group recognises impairment losses based on the significant decline in value for the AFS investments and fair value changes for those FVTPL investments in the statements of profit or loss and other comprehensive income. Where limited observable market inputs are available, this requires management to exercise higher level of judgement.	• In this area our audit procedures included evaluating the design and implementation as well as testing the operating effectiveness of key controls over investment valuation and impairment assessment processes. • We used our own valuation specialist to assist us in performing independent price checks using various sources of external quotes. We compared our independent market reference prices to those market prices recorded by management, and sought to understand significant differences, if any, that are greater than the range of acceptable prices derived by our valuation specialist. • We assessed and challenged the Group's assessment to identify any impairment in relation to these unquoted corporate bonds by reference to publicly available information such as credit ratings of the respective bonds issuers. • We also assessed whether the Group's disclosures in relation to the valuation of investments are in line with the accounting policies set out in Note 2.26 to the financial statements.

KEY AUDIT MATTERS (CONTINUED)

Valuation of goodwill (RM245 million)

Refer to Note 4.1 - Goodwill

The key audit matter	How the matter was addressed in our audit
Valuation of goodwill is a key audit matter because significant judgement is required in determining the recoverable amount of goodwill. The most significant judgements relate to the discount rate applied together with the assumptions supporting the underlying forecast cash flows, in particular the forecast growth rates and terminal growth rate. We focused on the goodwill attributable to the general insurance business of RM240 million given that it represents 98% of the Group's total goodwill.	• In this area, our audit procedures included testing the Group's budgeting procedures upon which the forecast is based. We compared the forecast to Board approved business plan and also compared previous forecast to actual results to assess the performance of the business and the reliability of management's forecasting. • We used our own valuation specialist to assist us in challenging the key assumptions and methodology used by the Group to determine the recoverable amount, in particular, those relating to the discount rate and terminal growth rate. This included comparing the Group's assumptions to external data as well as our own assessment in relation to key assumptions such as projected economic growth and discount rates. • We also reviewed the sensitivity analysis performed by management on the discount rate and terminal growth rate to further challenge the appropriateness of the Group's key assumptions.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the Directors' report and Statement on Risk Management and Internal Control (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we had obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which are expected to be made available to us after this date.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD
(COMPANY NO:12428-W) (INCORPORATED IN MALAYSIA)

Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and the Company to continue as going concerns, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as going concerns. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as going concerns.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 43 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG PLT
(LLP0010081 – LCA & AF 0758)
Chartered Accountants

Foong Mun Kong
Approval Number: 02613/12/2018 J
Chartered Accountant

Petaling Jaya

Date: 24 February 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 43rd Annual General Meeting ("AGM") of Allianz Malaysia Berhad will be held at Grand Ballroom, Level 2, Aloft Kuala Lumpur Sentral, 5, Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur on Wednesday, 24 May 2017 at 10.00 a.m. for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 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 RM1,966,764 for the financial year ended 31 December 2016 (2015: RM1,561,137). **Ordinary Resolution 1**

   (b) Directors' remuneration (excluding Directors' fees) of up to an amount of RM1,613,360 from 1 January 2017 until the next AGM of the Company. **Ordinary Resolution 2**

3. To re-elect the following Directors who retire by rotation in accordance with Article 96 of the Articles of Association of the Company and being eligible, offer themselves for re-election:-

   (a) Mr. Foo San Kan **Ordinary Resolution 3**

   (b) Mr. Ong Eng Chow **Refer to Explanatory Note 3**

4. To re-appoint the following Directors:-

   (a) Y. Bhg. Tan Sri Razali Bin Ismail **Ordinary Resolution 4**

   (b) Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy **Ordinary Resolution 5**

5. To re-appoint Messrs. KPMG PLT as the Auditors of the Company for the financial year ending 31 December 2017 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**

Special Business

To consider and if thought fit, pass the following Ordinary Resolutions:-

6. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Allianz SE Group** **Ordinary Resolution 7**

   "THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions with Allianz SE Group as specified in Section 2.2 (A) of the Company's Circular to Shareholders dated 25 April 2017, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

   AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

   (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or

(b) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or

(c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things including executing all documents as may be required to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

7. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Shook Lin & Bok** **Ordinary Resolution 8**

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transaction with Shook Lin & Bok as specified in Section 2.2 (B) of the Company's Circular to Shareholders dated 25 April 2017, 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."

8. **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 transaction with Rapidpro Consulting Sdn Bhd as specified in Section 2.2 (C) of the Company's Circular to Shareholders dated 25 April 2017, 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

NOTICE OF ANNUAL GENERAL MEETING

(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."

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
25 April 2017

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 43rd AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 16 May 2017. Only a depositor whose name appears in the Record of Depositors as at 16 May 2017 shall be entitled to attend and vote at the 43rd AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the 43rd AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his/her shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the EAN specifies the proportion of its shareholding to be represented by each proxy.
6. The instrument of proxy must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
7. The instrument of proxy shall be deposited at the Registered Office of the Company at Level 29, Menara Allianz Sentral, 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than twenty-four (24) hours before the appointed time for holding the 43rd AGM.

B. EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for the financial year ended 31 December 2016

The Audited Financial Statements for the financial year ended 31 December 2016 and the Directors' and Auditors' Reports thereon are laid before the shareholders pursuant to the provision of Section 340 (1)(a) of the Companies Act 2016 and are for discussion only. Hence, this item will not be put for voting.

2. Directors' Remuneration for Non-Executive Directors

Pursuant to Section 230 (1)(b) of the Companies Act 2016 which requires fees and any benefits payable to the Directors of listed company and its subsidiaries to be approved at a general meeting, the proposed payment of Directors' fees and Directors' remuneration (excluding Directors' fees) to the Non-Executive Directors under Ordinary Resolutions 1 and 2 include remuneration payable to Non-Executive Directors by the Company's insurance subsidiaries, namely Allianz Life Insurance Malaysia Berhad ("ALIM") and Allianz General Insurance Company (Malaysia) Berhad ("AGIC").

(a) Directors' fees for the financial year ended 31 December 2016

The Directors' fees for the financial year ended 31 December 2016 are made up of the following components and are only payable to Non-Executive Directors:-

(i) Fees for acting as a Director

A fixed fee is allocated to each member of the Board, a fee premium is allocated to the Chairman of the Board in view of additional accountabilities and responsibilities assumed by the Chairman.

(ii) Fees for assuming additional responsibilities

Additional fees are allocated to Directors who assumed more responsibilities via their appointments in various Board Committees. A fee premium is allocated to the Chairman of the respective Board Committees in view of additional accountabilities and responsibilities assumed by them.

Following the issuance of the Directors' Remuneration Report 2015 by the Financial Institutions Directors' Education Forum ("FIDE Remuneration Report") on 7 December 2015, the Remuneration Committee had in 2016 reviewed the recommendations of the FIDE Remuneration Report and recommended a proposed 3-year step up plan (2016-2018) for the Directors' remuneration, based on the following rationales:-

(i) to ensure competitiveness of Board remuneration. The proposed increase will enable the Directors' remuneration to be in line with that recommended by the FIDE Remuneration Report and commensurate with the responsibilities and risks assumed by the Directors; and
(ii) to retain Directors. The current Boards of the Company and its insurance subsidiaries are made up of creditable and highly professional Directors, with all of them having good reputation and extensive experience locally and globally in their areas of expertise.

The respective Boards of the Company and its insurance subsidiaries having reviewed the recommendations of the Remuneration Committee, recommended the following Directors' fees payable to the Non-Executive Directors for the financial year ended 31 December 2016, for the shareholders' approval:-

	Company	ALIM	AGIC
Directors' Fees	RM628,407 (2015: RM561,512)	RM618,192 (2015: RM458,159)	RM720,165 (2015: RM541,466)

NOTICE OF ANNUAL GENERAL MEETING

All the Non-Executive Directors had abstained from the deliberation and voting on their respective proposed Directors' fees at the respective Remuneration Committee Meeting and Board Meetings, where applicable.

The proposed Directors' fees for the financial year ended 31 December 2016 are detailed in the Statement on Corporate Governance of this Annual Report.

(b) Directors' remuneration (excluding Directors' fees) for the period from 1 January 2017 to the next AGM in 2018

The Directors' remuneration (excluding Directors' fees) comprises allowances and benefits payable to the Chairman and members of the Board of the Company and its insurance subsidiaries as well as Board Committees. The Directors' remuneration structure is as set out below:-

<table>
<tr><th colspan="2"></th><th colspan="2">Company</th><th colspan="3">Insurance Subsidiaries</th></tr>
<tr><th>Description</th><th>Year</th><th>Chairman</th><th>Board Members</th><th colspan="2">Chairman</th><th>Board Members</th></tr>
<tr><td rowspan="4">Monthly Fixed Allowance</td><td rowspan="2">2017</td><td rowspan="2">Nil</td><td rowspan="2">Nil</td><td>ALIM</td><td>AGIC</td><td rowspan="2">Nil</td></tr>
<tr><td>RM10,750</td><td>RM17,250</td></tr>
<tr><td rowspan="2">2018*</td><td rowspan="2">RM57,000</td><td rowspan="2">Nil</td><td>ALIM</td><td>AGIC</td><td rowspan="2">Nil</td></tr>
<tr><td>RM12,000</td><td>RM12,000</td></tr>
<tr><td rowspan="2">Meeting Allowance
- Board
- Board Committees</td><td>2017</td><td>RM2,300
(per meeting)</td><td>RM2,300
(per meeting)</td><td colspan="2">RM2,300
(per meeting)</td><td>RM2,300
(per meeting)</td></tr>
<tr><td>2018**</td><td>RM2,645
(per meeting)</td><td>RM2,645
(per meeting)</td><td colspan="2">RM2,645
(per meeting)</td><td>RM2,645
(per meeting)</td></tr>
<tr><td rowspan="2">Benefits</td><td>2017</td><td>Medical insurance, personal accident insurance, leave passage, company car and driver.</td><td>Medical insurance and personal accident insurance.</td><td colspan="2">Medical insurance and personal accident insurance.</td><td>Medical insurance and personal accident insurance.</td></tr>
<tr><td>2018*</td><td>Medical insurance, personal accident insurance, company car and driver.</td><td>Medical insurance and personal accident insurance.</td><td colspan="3">Medical insurance and personal accident insurance.</td></tr>
</table>

Notes:-

* Following the issuance of the Corporate Governance Policy ("CG Policy") by Bank Negara Malaysia on 3 August 2016, the respective Board compositions will be revised with effect from 1 January 2018 in order to comply with the requirements of the CG Policy. Consequently, the monthly allowance and benefits for the Chairman of the respective companies will be revised accordingly.

** The meeting allowance for the respective Boards and Board Committees will be revised from RM2,300 per meeting in 2017 to RM2,645 per meeting in 2018.

The monthly fixed allowance is given to the Chairman in view of his significant role in leadership and oversight as well as his 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 Company and its insurance subsidiaries on a monthly basis and/or as and when incurred if the proposed Ordinary Resolution 2 is passed at the 43rd AGM. In determining the estimated total amount of remuneration (excluding Directors' fees) for the Directors including the Chairman of the Board for the period from 1 January 2017 till the 2018 AGM of the Company, the Company took into consideration, amongst others, the number of scheduled meetings for the Board and Board Committees and the number of Non-Executive Directors involved in these meetings.

3. Re-election of Directors who retire in accordance with Article 96 of the Company's Articles of Association

Article 96 of the Company's Articles of Association provides that one-third (1/3) of the Directors of the Company for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3), shall retire from office at the AGM of the Company. Pursuant to Article 97 of the Company's Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election. All Directors shall retire from office once at least in each three (3) years, but shall be eligible for re-election.

Mr. Foo San Kan and Mr. Ong Eng Chow are standing for re-election pursuant to Article 96 of the Articles of Association of the Company.

Mr. Ong Eng Chow had indicated that he will not seek for re-election as a Director of the Company at the 43rd AGM.

Mr. Foo San Kan had indicated his willingness to seek for re-election and abstained from the deliberation and voting of his re-election at the respective Nomination and Remuneration Committee Meeting and Board Meeting.

The Nomination and Remuneration Committee having assessed and satisfied with the performance of Mr. Foo San Kan, recommended his re-election for the Board's approval.

The Board having reviewed the recommendation of the Nomination and Remuneration Committee, recommended the re-election of Mr. Foo San Kan for the shareholders' approval.

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

4. Re-appointment of Directors

Director who attains the age of 70 is required to submit himself/herself for re-appointment annually pursuant to Section 129 (2) of the Companies Act, 1965. However, with the enforcement of the Companies Act 2016 with effect from 31 January 2017, there is no longer a requirement on age limit for Directors.

At the 42nd AGM of the Company held on 25 May 2016, Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy were re-appointed as Directors of the Company until the conclusion of the 43rd AGM. Hence, their appointments shall lapse at the conclusion of the forthcoming 43rd AGM. The proposed Ordinary Resolutions 4 and 5, if passed, will enable Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy respectively to continue in office as Directors of the Company.

Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy had indicated their willingness to seek for re-appointment and have abstained from the deliberation and voting of their respective re-appointments at the Board Meeting.

The Board having reviewed the re-appointments of Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy including their performance evaluation, recommended the same for the shareholders' approval.

The profiles of Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy are set out in the Board of Directors' Profile of this Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

5. Re-appointment of External Auditors

Messrs. KPMG ("KPMG") had successfully on 27 December 2016 converted its status from a conventional partnership to a limited liability partnership ("LLP") pursuant to Section 29 of the LLP Act 2012. Following the conversion, KPMG are known as KPMG PLT (Perkongsian Liabiliti Terhad).

The Audit Committee reviewed the performance of KPMG PLT (including of its Engagement Partner and Concurring Partner) based on the prescribed evaluation criteria and concluded that KPMG PLT met all the criteria prescribed by Bank Negara Malaysia. The Audit Committee also satisfied with the work delivered by KPMG PLT as well as the professionalism of the audit team assigned to the Company, and recommended the proposed re-appointment of KPMG PLT as External Auditors for the Board's consideration.

KPMG PLT had indicated their willingness to accept re-appointment as the External Auditors of the Company.

The Board having reviewed the proposed re-appointment of KPMG PLT as External Auditors for the financial year ending 31 December 2017, recommended the same for the shareholders' approval.

C. EXPLANATORY NOTE ON SPECIAL BUSINESS

Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are underwriting of all classes of general insurance business and underwriting of life insurance and investment-linked business.

It is anticipated that the Company and its subsidiaries (collectively referred to as "Group") will, in the ordinary course of business, enter into recurrent related party transactions with classes of related parties as set out in Section 2.2 of the Circular to shareholders dated 25 April 2017 ("Shareholders' Mandate Circular").

In view of time sensitivity and the frequent nature of such related party transactions, the Directors of the Company are seeking shareholders' approval for the proposed Ordinary Resolutions 7, 8 and 9, to allow the Group in its ordinary course of business, to enter into recurrent related party transactions with the respective related parties as detailed in the Shareholders' Mandate Circular, provided that such transactions are made on arm's length basis and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

Detailed information in relation to the proposed shareholders' mandate for recurrent related party transactions are set out in the Shareholders' Mandate Circular, despatched together with this Annual Report.

D. ABSTENTION FROM VOTING

Directors who are the shareholders of the Company will abstain from voting in respect of their direct and/or indirect shareholdings on the resolutions involving their interests and/or interests of persons connected to them.

The following Directors are interested or deemed to be interested in the below mentioned Ordinary Resolutions to be tabled at the 43rd AGM:-

Interested Directors	Ordinary Resolution No.	Direct Shareholding
Y. Bhg. Tan Sri Razali Bin Ismail	1, 2, 4 and 9	Nil
Mr. Foo San Kan	1, 2 and 3	Nil
Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy	1, 2, 5 and 8	Nil
Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim	1 and 2	Nil
Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz	1 and 2	Nil
Mr. Zakri Bin Mohd Khir	4, 7 and 9	(a) 100 ordinary shares. (b) 200 irredeemable convertible preference shares ("ICPS").
Mr. Ong Eng Chow	7	(a) 100 ordinary shares. (b) 100 ICPS.

They will abstain from voting on the respective resolutions and have also undertaken that they will ensure that the persons connected with them will abstain from voting on the relevant resolutions that involve their interests and/or interest of persons connected to them at the 43rd AGM.

E. NOTE TO HOLDERS OF ICPS

The holders of the ICPS shall be entitled to attend the 43rd AGM but have no right to vote at the said AGM. The voting rights of the ICPS holders are detailed in the Statement on Corporate Governance of this Annual Report.

FORM OF PROXY

ALLIANZ MALAYSIA BERHAD (12428-W)
(Incorporated in Malaysia)

Pursuant to the Allianz Standard for Data Protection and Privacy, please be informed that the personal data that you provide in this Form of Proxy shall be used to enable your proxy/proxies to attend the 43rd Annual General Meeting of the Company. We shall retain the personal data for record keeping purposes in accordance with the Company's retention policy. By submitting this Form of Proxy, it is deemed that you have consented and that you have obtained the consent of such proxy/proxies to enable us to process and retain the personal data provided in this form.

Number of Shares Held	
CDS Account No.	
Contact No.	

I/We (name of shareholder) ______________________________

NRIC No./Passport No./Company No. ____________________(new) of (full address) ____________________

____

being a member of ALLIANZ MALAYSIA BERHAD, hereby appoint:-

Name of Proxy/Proxies	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			
*and			
Address			
*or failing him/her			
Address			

as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the 43rd 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 Wednesday, 24 May 2017 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	Approval for payment of Directors' fees		
2	Approval for payment of Directors' remuneration		
3	Re-election of Mr. Foo San Kan as Director		
4	Re-appointment of Y. Bhg. Tan Sri Razali Bin Ismail as Director		
5	Re-appointment of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy as Director		
6	Re-appointment of Messrs. KPMG PLT as Auditors and authority to the Directors to fix the Auditors' remuneration		
7	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Allianz SE Group		
8	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Shook Lin & Bok		
9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Rapidpro Consulting Sdn Bhd		

As witness my/our hand this __________ day of ____________________ 2017.

____
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 43rd AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 16 May 2017. Only a depositor whose name appears in the Record of Depositors as at 16 May 2017 shall be entitled to attend and vote at the 43rd AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the 43rd AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his/her shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the EAN specifies the proportion of its shareholding to be represented by each proxy.
6. The instrument of proxy must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
7. The instrument of proxy shall be deposited at the Registered Office of the Company at Level 29, Menara Allianz Sentral, 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than twenty-four (24) hours before the appointed time for holding the 43rd AGM.

Note to Holders of Irredeemable Convertible Preference Share ("ICPS")

The holders of the ICPS shall be entitled to attend the 43rd AGM but have no right to vote at the said AGM. The voting rights of the ICPS holders are detailed in the Statement on Corporate Governance of this Annual Report.

Affix Stamp

Allianz Malaysia Berhad (12428-W)
Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral, 50470 Kuala Lumpur

Attention : The Company Secretary

Allianz Malaysia Berhad (12428-W)
Level 29, Menara Allianz Sentral
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Kuala Lumpur Sentral
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