STEADFASTLY CREATING VALUE

Annual Report 2019

Allianz

STEADFASTLY CREATING VALUE

The cover and theme of our Annual Report 2019 gives emphasis to our efforts to create value for all our stakeholders. As the leading insurance company globally and in Malaysia, we are committed to delivering tangible results to all the lives we touch. By putting our customer needs first, providing sustainable returns to our shareholders and contributing to uplifting our communities, we believe we are Steadfastly Creating Value and earning our place as a responsible corporate citizen.

Scan the QR code to visit our website

INSIDE THIS ANNUAL REPORT 2019

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, will we be able to reach and realise our Vision.

MISSION

Insurance Solutions From A–Z

OUR FIVE CORE VALUES

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

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

2019 KEY FINANCIAL FIGURES

OPERATING REVENUE	RM5,534.37 MILLION	+6.8%	+7.9% 2018
GROSS WRITTEN PREMIUM	RM4,922.53 MILLION	+9.3%	+5.1% 2018
PROFIT BEFORE TAX	RM692.14 MILLION	+33.4%	+18.7% 2018
TOTAL ASSETS	RM19,710.07 MILLION	+13.2%	+4.9% 2018
SHAREHOLDERS' FUND	RM3,673.57 MILLION	+9.3%	+7.2% 2018
MARKET CAPITALISATION	RM5,578.62 MILLION	+24.5%	-3.4% 2018
BASIC EARNINGS PER ORDINARY SHARE	203.87 SEN	+21.4%	+11.1% 2018
DIVIDEND PER ORDINARY SHARE	65.00 SEN	+62.5%	+233.3% 2018

ALLIANZ AT A GLANCE

	2019	2018	2017	2016	2015
Operating Revenue (RM million)	**5,534.37**	5,181.93	4,800.99	4,678.49	4,519.07
Gross Written Premium (RM million)	**4,922.53**	4,504.85	4,285.40	4,182.60	4,132.65
Profit Before Tax (RM million)	**692.14**	518.98	437.28	454.59	438.22
Total Assets (RM million)	**19,710.07**	17,404.59	16,596.68	14,912.38	13,617.42
Shareholders' Fund (RM million)	**3,673.57**	3,361.70	3,135.51	2,879.52	2,621.32
Market Capitalisation (RM million)[#]	**5,578.62**	4,480.33	4,639.45	3,500.25	3,635.16
Interim/Final Dividend per Share					
- Ordinary Share (sen)	**65.00**	40.00	12.00	9.00	6.50
- Preference Share (sen)	**78.00**	48.00	14.40	10.80	7.80
Total Amount of Dividend to the Shareholders					
- Ordinary Share (RM'000)	**114,976.97**	70,675.38	21,021.95	15,633.66	11,006.00
- Preference Share (RM'000)	**132,068.15**	81,368.33	24,627.29	18,629.83	13,796.85
Return on Equity^	**14.0%**	11.6%	9.6%	11.3%	12.6%
Operating Revenue Growth	**6.8%**	7.9%	2.6%	3.5%	3.3%
Gross Written Premium Growth	**9.3%**	5.1%	2.5%	1.2%	4.1%
Basic Earnings per Ordinary Share (sen)*	**203.87**	167.90	151.19	171.39	174.90
Diluted Earnings per Ordinary Share (sen)	**142.29**	109.09	83.28	90.80	89.37
Net Asset Value per Ordinary Share (RM)	**20.77**	19.03	17.96	16.58	15.48
Diluted Net Asset Value per Ordinary Share (RM)	**10.61**	9.71	9.06	8.32	7.57

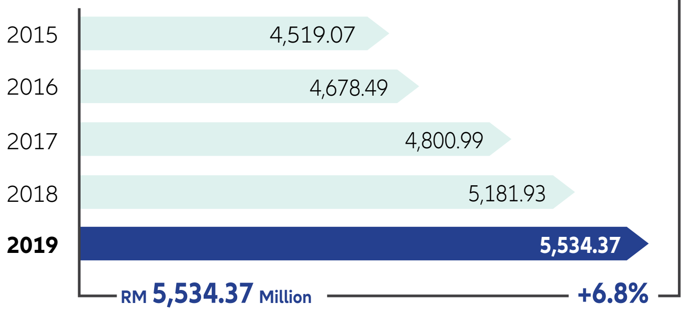
The market capitalisation is a combination of ordinary and preference share

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

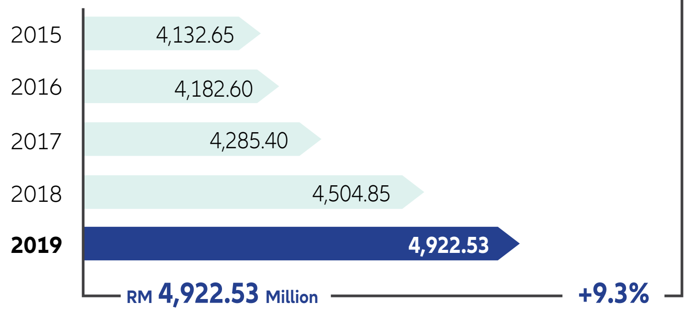
* The calculation of basic earnings per ordinary share was based on the profit attributable to ordinary shareholders adjusted for preference dividends

ALLIANZ AT A GLANCE

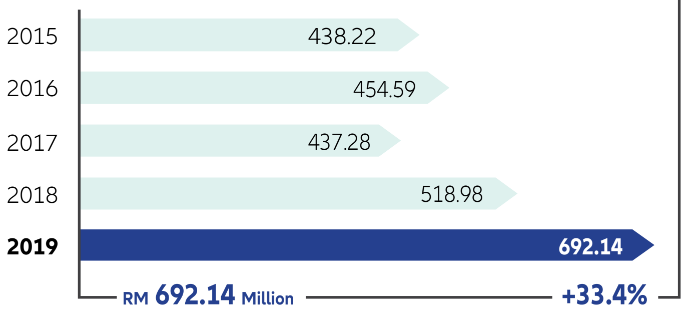
Operating Revenue (RM million)



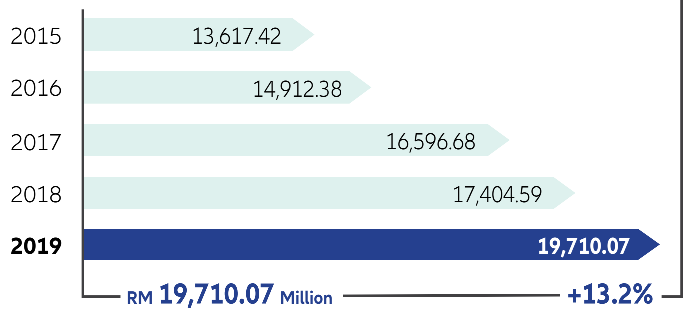
Gross Written Premium (RM million)



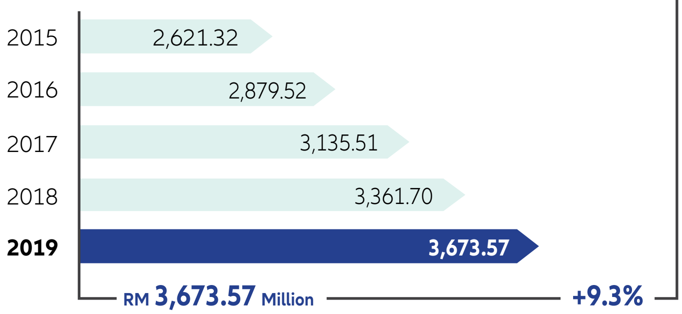
Profit Before Tax (RM million)



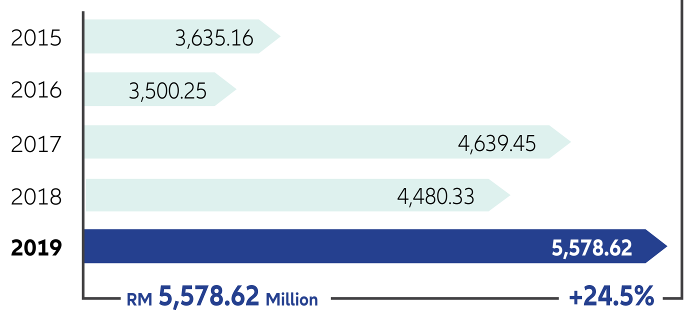
Total Assets (RM million)



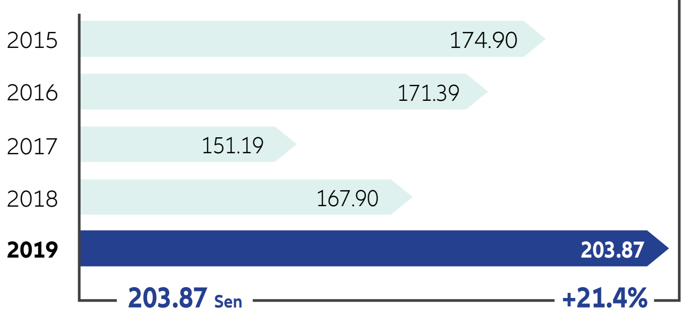
Shareholders' Fund (RM million)



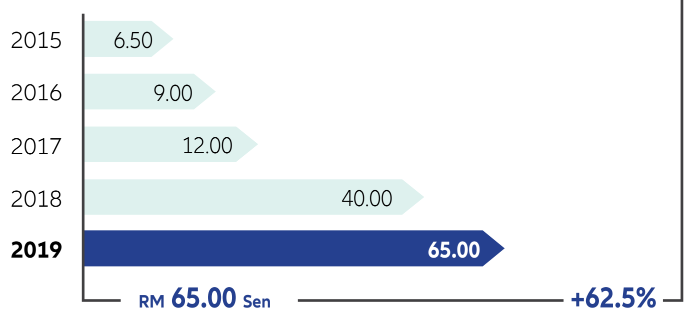
Market Capitalisation (RM million)



Basic Earnings Per Ordinary Share (sen)



Dividend Per Ordinary Share (sen)



GROUP STRUCTURE

ALLIANZ MALAYSIA BERHAD
(12428-W)

100%
ALLIANZ LIFE INSURANCE MALAYSIA BERHAD
(104248-X)

100%
ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD
(735426-V)

CORPORATE INFORMATION

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

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

COMPANY SECRETARY

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

REGISTERED OFFICE

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

HEAD OFFICE

Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-2264 1188 / 2264 0688
Fax : 03-2264 1199
Website : allianz.com.my

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 03-2783 9299
Fax : 03-2783 9222
Email : is.enquiry@my.tricorglobal.com

AUDITORS

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

RENEWAL AGENDA 2.0

For the time period 2019-2021, the Board of Management of Allianz SE has defined the business strategy "Simplicity wins - Renewal Agenda 2.0". The strategy, presented at the Capital Markets Day on 30 November 2018, builds on the successfully implemented Renewal Agenda 1.0 (2015-2018). It defines the strategy and goal of the Allianz Group and consists of five components.

RENEWAL AGENDA TO BE CONTINUED AND ACCELERATED

New incentives and skills

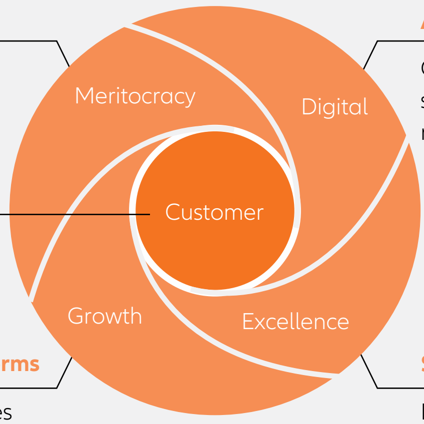
- Aspiration to become best practice
- Inclusive leadership / mobilisation

Loyalty leadership

- Simple and intuitive products
- Empathic service and frontline empowerment

Focus on profitable growth and new platforms

European direct platform and digital ventures and partnerships (Allianz X)



Allianz Customer Model

Continuous productivity gains through simplification, harmonisation and legacy reduction

Superior data analytics

Leveraging of Artificial Intelligence especially in retail, SME and Allianz Investments Management

In accordance with the Renewal Agenda 2.0, the Allianz Group has set the following ambitions for 2021:

AMBITIOUS TARGETS BENEFITTING ALL STAKEHOLDERS

	Key Performance Indicators	Targets[1] (2019 - 2021)
Earnings growth	Earning per share (Compound Annual Growth Rate)	5% plus (of which 4% plus organic)
Profitability[2]	Return on Equity	13% plus
Capital strength	Solvency II ratio	180% plus
Customer centricity[3]	Net Promoter Score > market	75% plus
Employee commitment	Inclusive Meritocracy Index (IMIX)	73% plus

[1] Actual results, performance or events may differ materially from these forward-looking statements
The Company assumes no obligation to update any information or forward-looking statement contained herein
[2] Return on Equity calculation excludes unrealised gains/losses on bonds, net of shadow deferred acquisition costs
[3] Percent value refers to share of business measuring retail Net Promoter Score

ALLIANZ GROUP AT A GLANCE

With Over **147,000** Employees Worldwide, the Allianz Group Serves **100 Million** Customers in More Than **70** Countries

In Fiscal Year 2019 the Allianz Group **Achieved** Total Revenues of Approximately **142 Billion** Euros

On the Insurance Side, Allianz is the **Market Leader** in the German Market and Has A Strong International Presence

Allianz is One of the **World's Largest** Asset Managers, With Third-Party Assets of **1,686 Billion** Euros Under Management at Year End 2019

NATIONWIDE PRESENCE

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

CUSTOMER CONTACT/ SERVICE CENTRE

Ground Floor, Block 2A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2264 0700
Fax : 03-2264 8499
Toll Free : 1-300-22-5542
Website : allianz.com.my

ONE ALLIANZ CALL CENTRE

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

CENTRAL REGION

CENTRAL REGION PROCESSING HUB

Level 10, Block 3A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2264 1188
Fax : 03-2264 7710

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

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

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

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

5. **KAJANG**
   Unit No. C-67-1 & C-68-1
   Jalan C180/1, Dataran C180
   43200 Batu 11 Cheras
   Selangor
   Tel : 03-9082 8856
   Fax : 03-9082 3291

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

NATIONWIDE PRESENCE

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

PERAK STATE

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

8. **TELUK INTAN**
Unit No. 25
1st Floor, Pusat Komersial Sentral Intan
36000 Teluk Intan
Perak Darul Ridzuan
Tel : 05-621 5882 / 621 7731
: 05-621 7732
Fax : 05-622 5229

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

NORTHERN REGION

NORTHERN REGION PROCESSING HUB
No. 6770, Ground & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Penang
Tel : 04-324 5175 / 324 6778

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

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

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

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

13. **SUNGAI PETANI**
No. 62B, 1st, 2nd & 3rd Floor
Jalan Pengkalan, Pekan Baru
08000 Sungai Petani
Kedah Darul Aman
Tel : 04-425 8282 / 425 2894 / 425 2895
Fax : 04-425 2893

SOUTHERN REGION

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

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

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

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

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

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

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

NATIONWIDE PRESENCE

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD

EAST COAST REGION

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

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

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

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

SABAH REGION

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

25. **SANDAKAN**
2nd Floor, Menara Rickoh
Indah Commercial Complex
Bandar Indah Mile 4,
North Road 90000 Sandakan,
Sabah
Tel : 089-211 054 / 217 197
Fax : 089-211 052

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

SARAWAK REGION

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

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

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

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

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

NATIONWIDE PRESENCE

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

CUSTOMER CONTACT/SERVICE CENTRE

Ground Floor, Block 2A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-2264 0700
Fax : 03-2264 8499
Toll Free : 1-300-22-5542
Website : allianz.com.my

CENTRAL REGION

1. **DESA JAYA**
Wisma Allianz Life
No. 11-14, Jalan 53
Desa Jaya Commercial Centre
Taman Desa
52100 Kepong
Selangor Darul Ehsan
Tel : 03-6275 8000
Fax : 03-6275 7100

2. **KLANG**
No. 46, Jalan Tiara 2C
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan
Tel : 03-3346 6033
Fax : 03-3345 3288

3. **SEREMBAN**
No. 44, Ground Floor
Jalan S2 B18, Biz Avenue, Seremban 2
70300 Seremban
Negeri Sembilan Darul Khusus
Tel : 06-601 1007
Fax : 06-601 1099

NORTHERN REGION

4. **PENANG**
Ground & 1st Floor
No.1 China Street
10200 Georgetown
Penang
Tel : 04-251 9899
Fax : 04-251 9699

5. **BUKIT MERTAJAM**
No. 487, Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Penang
Tel : 04-537 7231
Fax : 04-537 8231

6. **ALOR SETAR**
No. 301, Ground & 2nd Floor
Jalan Lumpur
05100 Alor Setar
Kedah Darul Aman
Tel : 04-734 5091
Fax : 04-731 7271

7. **SUNGAI PETANI**
No. 62B, 1st Floor
Jalan Pengkalan, Pekan Baru
08000 Sungai Petani
Kedah Darul Aman
Tel : 04-425 6863
Fax : 04-425 6861

8. **IPOH**
Unit No. A-G-1 & A-2-1
Ground & 2nd Floor,
Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan
Tel : 05-241 9752
Fax : 05-241 6898

SOUTHERN REGION

9. **JOHOR BAHRU**
#03-01 & #03-02, Block C
#04-01, #04-02 & #04-03 Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim
Tel : 07-338 3285
Fax : 07-336 3473

10. **KLUANG**
No. 5, Ground Floor
Jalan Persiaran Yayasan
86000 Kluang
Johor Darul Takzim
Tel : 07-771 5588
Fax : 07-773 8097

11. **BATU PAHAT**
No. 1-2 & 1-2B, Ground & 2nd Floor
Jalan Maju 1, Taman Maju
83000 Batu Pahat
Johor Darul Takzim
Tel : 07-434 3313
Fax : 07-433 2166

12. **MUAR**
No. 1, Ground, 1st & 2nd Floor
Pusat Dagangan Bakri
Jalan Bakri
84000 Muar
Johor Darul Takzim
Tel : 06-954 5689
Fax : 06-954 5684

13. **MELAKA**
No. 374, Ground & 2nd Floor
Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka
Tel : 06-282 3377
Fax : 06-282 0793

NATIONWIDE PRESENCE

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD

EAST COAST REGION

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

15. **KUANTAN**
No. 4 & 4a, 6 & 6a
(Construction Town)
Jalan Putra Square 6, Putra Square
25200 Kuantan
Pahang Darul Makmur
Tel : 09-515 9098
Fax : 09-515 9096

16. **KOTA BHARU**
Lot 1184, 1st Floor
Jalan Kebun Sultan
15350 Kota Bharu
Kelantan Darul Naim
Tel : 09-748 4496
Fax : 09-748 5596

SABAH REGION

17. **KOTA KINABALU**
B-1-73, B-1-73a, B-1-75 & B-1-76
Riverson@Sembulan, Block B
First Level, Riverson Walk
Unit No. R-6-01, R-06-02 & Part of
Unit No. R-6-05, Level 6,
Riverson Suites
Lorong Riverson@Sembulan
Off Coastal Highway
88100 Kota Kinabalu
Sabah
Tel : 088-224 551
Fax : 088-224 506

18. **SANDAKAN**
2nd Floor, Menara Rickoh
Indah Commercial Complex
Bandar Indah Mile 4,
North Road 90000 Sandakan,
Sabah
Tel : 089-211 054 / 217 197
Fax : 089-211 052

19. **TAWAU**
TB320, Ground Floor
Block 38, Fajar Complex
Jalan St. Patrick, W.D.T. No. 33
91009 Tawau
Sabah
Tel : 089-765 054
Fax : 089-764 554

SARAWAK REGION

20. **KUCHING**
Sublot 3, Ground Floor, Block 10
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sarawak
Tel : 082-246 515
Fax : 082-246 713

21. **MIRI**
Lot 3544, 1st Floor
Lot 3545, Ground Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri
Sarawak
Tel : 085-320 470
Fax : 085-324 920

22. **SIBU**
Lot 1726, No. 12-H
1st & 2nd Floor
Jalan Kampung Datu
96000 Sibu
Sarawak
Tel : 084-346 515
Fax : 084-326 448

BOARD OF DIRECTORS' PROFILE

AS AT 18 MARCH 2020

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Chairman
Independent Non-Executive Director

Nationality:
Malaysian

Age:
72

Gender:
Female

Date of Appointment:
23 November 2012

Length of Service:
7 years 4 months

Date of Last Re-election:
30 May 2019

Membership of Board Committee:
- Member of Audit Committee
- Member of Nomination and Remuneration Committee

Qualifications:
- Bachelor of Laws from the Queen's University of Belfast, United Kingdom in 1971
- Master of Laws from the Queen's University of Belfast, United Kingdom in 1974
- Certificate of Legal Practice in 1987
- Advocate & Solicitor of the High Court of Malaya in 1987
- Honorary Doctorate from the Queen's University of Belfast, United Kingdom in 2005
- Doctor of Laws from the University of Malaya in 2019

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 Malayan Banking Berhad ("Maybank"). In 1991, she was promoted to the post of General Manager of the Human Resource Department at Maybank. She was then invited to serve in Bank Negara Malaysia as the Assistant Governor for the Security Department, Legal Department and Property and Service Department.

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

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

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

Present Directorships:
Listed entities:
- Chairman of Allianz Malaysia Berhad
- Chairman of Malaysian Genomics Resource Centre Berhad
- Nestle (Malaysia) Berhad
- Lotte Chemical Titan Holding Berhad
- Minda Global Berhad

Other public company:
- Chairman of Allianz General Insurance Company (Malaysia) Berhad

Other Information:
Tan Sri Datuk (Dr.) Rafiah does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past five years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

The Director's meeting attendance record for 2019 is provided in the Corporate Governance Overview Statement section in this Annual Report.

BOARD OF DIRECTORS' PROFILE
AS AT 18 MARCH 2020

DATO' DR. THILLAINATHAN A/L RAMASAMY

Independent Non-Executive Director

Nationality:
Malaysian

Age:
75

Gender:
Male

Date of Appointment:
24 June 2011

Length of Service:
8 years 9 months

Date of Last Re-election:
22 May 2018

Membership of Board Committee:
- Chairman of Audit Committee
- Member of Risk Management Committee
- Member of Nomination and Remuneration Committee

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

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

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

Present Directorships:
Listed entities:
- Allianz Malaysia Berhad
- Genting Berhad

Other public companies:
- Allianz Life Insurance Malaysia Berhad
- Public Investment Bank Berhad
- IDEAS Policy Research Berhad

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

Other Information:
Dato' Dr. Thillainathan does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

The Director's meeting attendance record for 2019 is provided in the Corporate Governance Overview Statement section in this Annual Report.

BOARD OF DIRECTORS' PROFILE

AS AT 18 MARCH 2020

TUNKU ZAIN AL-'ABIDIN IBNI TUANKU MUHRIZ

Independent Non-Executive Director

Nationality:
Malaysian

Age:
37

Gender:
Male

Date of Appointment:
28 November 2014

Length of Service:
5 years 4 months

Date of Last Re-election:
22 May 2018

Membership of Board Committee:
- Chairman of Nomination and Remuneration Committee

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

Working Experience:

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

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

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

An Eisenhower Fellow, he has been selected for various leadership programmes by the governments of Australia, France and the European Union. Tunku Zain is often invited to speak on subjects ranging from nation building, public policy, history, culture, law, business ethics and youth development.

Present Directorships:

Listed entity:
- Allianz Malaysia Berhad

Other public companies:
- Allianz General Insurance Company (Malaysia) Berhad
- IDEAS Policy Research Berhad
- Institute for Democracy and Economic Affairs Berhad

Other Information:

Tunku Zain does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past five years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

The Director's meeting attendance record for 2019 is provided in the Corporate Governance Overview Statement section in this Annual Report.

BOARD OF DIRECTORS' PROFILE
AS AT 18 MARCH 2020

PETER HO KOK WAI
Independent Non-Executive Director

Nationality:
Malaysian

Age:
60

Gender:
Male

Date of Appointment:
1 October 2019

Length of Service:
6 months

Date of Last Re-election:
Nil

Membership of Board Committee:
- Chairman of Risk Management Committee
- Member of Audit Committee

Qualifications:
- Certified Public Accountant of the Malaysian Institute of Certified Public Accountants in 2010
- Chartered Accountant of the Malaysian Institute of Accountants in 1993
- Fellow of the Institute of Chartered Accountants in England and Wales in 1984

Working Experience:
Peter forged his early career with Everett Pinto & Co., a central London Firm of Chartered Accountants and qualified as a Chartered Accountant in 1984.

Subsequently, in 1987, Peter joined KPMG Kuala Lumpur where he progressed to Head of Department in 1992. He was transferred to KPMG Ipoh in 1993 to head the branch and was admitted as Partner in 1995. He was transferred back to KPMG Kuala Lumpur in 2005, where he had, at various times, headed the Technical Committee, Audit Function and Marketing Department.

Peter has more than 35 years of auditing experience in a wide range of companies including public listed companies and multinationals, with particular emphasis in manufacturing, distribution and financial services. Peter retired from KPMG in December 2014.

Present Directorships:
Listed entities:
- Allianz Malaysia Berhad
- Hong Leong Industries Berhad
- Hong Leong Capital Berhad
- GuocoLand (Malaysia) Berhad
- HPMT Holdings Berhad

Other public company:
- Allianz Life Insurance Malaysia Berhad

Other Information:
Peter 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 five years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

The Director's meeting attendance record for 2019 is provided in the Corporate Governance Overview Statement section in this Annual Report.

BOARD OF DIRECTORS' PROFILE
AS AT 18 MARCH 2020

SOLMAZ ALTIN

Non-Independent
Non-Executive Director

Nationality:
German

Age:
46

Gender:
Male

Date of Appointment:
30 May 2018

Length of Service:
1 year 10 months

Date of Last Re-election:
30 May 2019

Membership of Board Committee:
Nil

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

Working Experience:
Solmaz is Allianz's Regional Chief Executive Officer ("CEO") for Asia Pacific effective 1 May 2019. He previously held the Deputy Regional CEO position having assumed the role in June 2018. In addition, he is a Member of the Allianz Asia Regional Executive Board, which is responsible for setting and executing Allianz's growth strategy in Asia.

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

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

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

Present Directorship:
Listed entity:
- Allianz Malaysia Berhad

Other public company:
Nil

Other Information:
Solmaz does not have any family relationship with any other Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Board of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offences within the past five years, other than traffic offences. He also has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

The Director's meeting attendance record for 2019 is provided in the Corporate Governance Overview Statement section in this Annual Report.

BOARD OF DIRECTORS' PROFILE
AS AT 18 MARCH 2020

CLAUDIA SALEM
Non-Independent
Non-Executive Director

Nationality:
United States of America

Age:
43

Gender:
Female

Date of Appointment:
30 June 2019

Length of Service:
9 months

Date of Last Re-election:
Nil

Membership of Board Committee:
Nil

Qualifications:
- Master of Business Administration in Finance and Entrepreneurship from New York University, United States of America
- Bachelor Degree in Computer and Communications Engineering from American University of Beirut, Lebanon

Working Experience:
Claudia is Allianz's Chief Executive Officer ("CEO"), Property and Casualty ("P&C") for Asia Pacific. She is responsible for the profit and loss and functional development of Allianz's P&C business in the Asia Pacific region, including the long-term bancassurance relationship with Standard Chartered Bank.

In addition, Claudia is a Member of the Allianz Regional Executive Board, which is responsible for setting and executing Allianz's growth strategy in Asia.

Claudia joined Allianz SE Singapore Branch in March 2019. Prior to that, she served AIG since 2003, where she was previously Singapore CEO and Head of Southeast Asia.

In her 16-year career, she served in various leadership roles across operations management, business development and customer solutions, with a track record for driving large-scale change management, service delivery and bottom line results. Prior to this role, Claudia has spearheaded global transformation programs and led global operational teams with a focus on modernising insurance through technology and new ways of working.

Present Directorship:
Listed entity:
- Allianz Malaysia Berhad

Other public company:
Nil

Other Information:
Claudia does not have any family relationship with any other Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Board of the Company. She does not have any conflict of interest with the Company and has not been convicted of any offences within the past five years, other than traffic offences. She also has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

The Director's meeting attendance record for 2019 is provided in the Corporate Governance Overview Statement section in this Annual Report.

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD BOARD MEMBERS

AS AT 18 MARCH 2020

Goh Ching Yin

Chairman - Independent Non-Executive Director

62 · Malaysian · Male

Dato' Dr. Thillainathan A/L Ramasamy

Independent Non-Executive Director

75 · Malaysian · Male

Peter Ho Kok Wai

Independent Non-Executive Director

60 · Malaysian · Male

Datuk Gnanachandran A/L S Ayadurai

Independent Non-Executive Director

67 · Malaysian · Male

Joseph Kumar Gross

Executive Director/ Chief Executive Officer

55 · German · Male

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD BOARD MEMBERS

AS AT 18 MARCH 2020

Tan Sri Datuk (Dr.) Rafiah Binti Salim

Chairman - Independent Non-Executive Director

72 · Malaysian · Female

Tunku Zain Al-'Abidin Ibni Tuanku Muhriz

Independent
Non-Executive Director

37 · Malaysian · Male

Goh Ching Yin

Independent
Non-Executive Director

62 · Malaysian · Male

Datuk Gnanachandran A/L S Ayadurai

Independent
Non-Executive Director

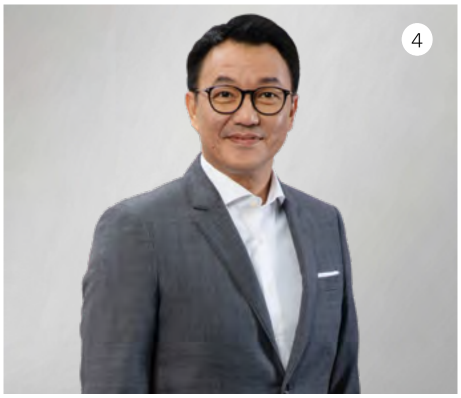
67 · Malaysian · Male

Zakri Bin Mohd Khir

Executive Director /
Chief Executive Officer

56 · Malaysian · Male

SENIOR MANAGEMENT TEAM PROFILE



SENIOR MANAGEMENT TEAM PROFILE

SENIOR MANAGEMENT TEAM PROFILE

1 ZAKRI BIN MOHD KHIR

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

56 • Malaysian • Male

Qualifications:

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

Working Experience and Other Information:

Zakri Bin Mohd Khir has over 30 years of experience in the insurance industry. He joined the Company in 2000 as the Head of Industrial Business and was subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of AGIC before he assumed his current position as the CEO of AGIC in December 2010. He is also the CEO of the Company since 3 September 2014. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance Berhad. He was appointed as Chairman of Social Security Organisation on 8 October 2018.

He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Save as disclosed below, Zakri Bin Mohd Khir does not have any family relationship with any other Director and/or major shareholder of the Company:
1. He is a nominee Director of Allianz SE on the Board of AGIC.

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

Directorship in Public Company: Allianz General Insurance Company (Malaysia) Berhad

2 JOSEPH KUMAR GROSS

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

55 • German • Male

Qualification:

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

Working Experience and Other Information:

Joseph Kumar Gross joined Allianz SE in 2002 as the Senior Vice President of Strategic Brand Management and was subsequently appointed as the Executive Director and Head of Group Market Management before he assumed his current position as the CEO of ALIM on 20 April 2016. He was appointed as the Executive Director of ALIM on 17 August 2017.

He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Save as disclosed below, Joseph Kumar Gross does not have any family relationship with any other Director and/or major shareholder of the Company:
1. He is a nominee Director of Allianz SE on the Board of ALIM.

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

Directorship in Public Company: Allianz Life Insurance Malaysia Berhad

3 CHARLES ONG ENG CHOW

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

54 • Malaysian • Male

Qualifications:

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

Working Experience and Other Information:

Ong Eng Chow has more than 29 years of experience in the financial service industry, of which 22 years were in the insurance industry. He joined ALIM on 1 June 1999 as Financial Controller and was redesignated as CFO on 1 June 2005. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and ALIM. Prior to his employment with the Group, he was the Financial Controller of EON CMG Life Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019. Save for holding of 100 ordinary shares and 100 irredeemable convertible preference shares in the Company, Ong Eng Chow does not have any other interest in the shares of the Company and its subsidiaries.

Directorship in Public Company: NIL

SENIOR MANAGEMENT TEAM PROFILE

4 WANG WEE KEONG

Chief Operations Officer of AMB and AGIC

47 · Malaysian · Male

Qualification:

1. Bachelor of Commerce and Management

Working Experience and Other Information:

Wang Wee Keong joined the Company in 2004 and has held various managerial positions in AMB and its insurance subsidiaries ("Group"). He assumed his current position on 1 January 2010. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

5 HORST HERMANN HABBIG

Chief Sales Officer of AGIC

56 · German · Male

Qualification:

1. Advanced Industrial Training Programme (AFP), Germany

Working Experience and Other Information:

Horst Habbig joined the Company in 1999 as Technical Advisor and was subsequently appointed as Chief Operating Officer in 2002. He was redesignated as the Head of Marketing Division in 2008 before he assumed his current position as Chief Sales Officer on 1 April 2010. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

6 ONG PIN HEAN

Chief Sales Officer of ALIM

56 · Malaysian · Male

Qualification:

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

Working Experience and Other Information:

Ong Pin Hean joined ALIM as Head of Life Sales on 2 July 2001, seconded to Allianz China Life in 2004 to set up the first branch for Allianz Life China in Guang Zhou. In 2005, he became the Chief Sales & Marketing Officer for Allianz Life China in Shanghai. He returned to Malaysia in 2007 to assume his position as Head of the Life Sales Division before assuming his current position on 1 February 2010. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

7 NG SIEW GEK

Company Secretary and Head of Allianz4Good of AMB Group

54 · Malaysian · Female

Qualification:

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

Working Experience and Other Information:

Ng Siew Gek is the Company Secretary of the Group since 1997. She is also the Secretary to the Board Committees of AMB and Senior Management Committees of ALIM and AGIC. She is also the Head of Allianz4Good Department, the corporate responsibility arm of the Group since 1 January 2011. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

SENIOR MANAGEMENT TEAM PROFILE

8 MARCUS CHIANG BIN FONG

Chief Information Technology Officer of AMB Group

54 · Malaysian · Male

Qualification:

1. Bachelor of Mathematics (Computer Science)

Working Experience and Other Information:

Chiang Bin Fong joined the Company in 2005 as Head of Information Technology. He assumed his current position on 1 August 2008. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

9 WONG WOON MAN

Group Head of Human Resources of AMB Group

51 · Malaysian · Female

Qualification:

1. Bachelor of Science in Agribusiness

Working Experience and Other Information:

Wong Woon Man joined ALIM in August 2002 as Head of Learning and Development. In 2006, she was appointed as Senior Manager, Human Resources. When the Human Resources function was synergised between ALIM and AGIC, she was appointed as Deputy Head of Human Resources. On 1 May 2011, she assumed the role of Head of Human Resources of the Group. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

10 MANOGARI A/P MURUGIAH

Group Head of Legal of AMB Group

59 · Malaysian · Female

Qualifications:

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

Working Experience and Other Information:

Manogari A/P Murugiah joined the Company in 2003 as Head of Legal. On 1 January 2011, she was appointed as Head of Legal & Compliance of the Group, assuming responsibility for both legal and compliance matters of the Group. Effective 1 February 2019, the legal and compliance functions were segregated and she assumed responsibility for the legal function. 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 2019.

Directorship in Public Company: NIL

11 AMY LOKE SIEW PEI

Chief Market Management Officer of AMB Group

41 · Malaysian · Female

Qualification:

1. Bachelor of Accounting

Working Experience and Other Information:

Loke Siew Pei joined the Group as the Chief Market Management Officer. She assumed her current position on 4 September 2017. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

SENIOR MANAGEMENT TEAM PROFILE

12 WONG SIEW LIN

Chief Investment Officer of AMB Group

● 44 ● Malaysian ● Female

Qualifications:

1. BSc in Business Administration
2. Chartered Financial Analyst (CFA)
3. Financial Risk Manager (FRM)

Working Experience and Other Information:

Wong Siew Lin joined the Company in August 2012 as Head of Investment Management. She assumed her current position on 1 June 2018. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

13 SHAMALA GOPALAN

Group Head of Corporate Communications of AMB Group

● 49 ● Malaysian ● Female

Qualification:

1. Bachelor of Arts

Working Experience and Other Information:

Shamala Gopalan joined the Company in 2010 as Assistant Manager in AMB. She assumed her current position on 17 May 2018. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

14 JANNY NG SIEW LENG

Group Head of Internal Audit of AMB Group

● 50 ● Malaysian ● Female

Qualification:

1. Chartered Institute of Management Accountant

Working Experience and Other Information:

Janny Ng joined the Company on 16 June 1995 as Internal Audit Executive. She assumed her current position on 1 January 2014. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

15 TAMIL SELVI SHANMUGAM

Group Head of Compliance of AMB Group

● 57 ● Malaysian ● Female

Qualifications:

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

Working Experience and Other Information:

Tamil Selvi joined the Company on 2 February 1997 as the Chief Internal Auditor and assumed her current position on 2 February 2019. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

SENIOR MANAGEMENT TEAM PROFILE

16 MOK KIAN TONG

Chief Risk Officer of AMB and AGIC

● 59 ● Malaysian ● Male

Qualification:

1. Bachelor of Business in Business Administration

Working Experience and Other Information:

Mok Kian Tong joined the Company in 2001 and has held several managerial positions at Head Office in several functions namely Finance, Compliance and Risk Management. He was appointed as the Chief Risk Officer on 1 January 2011. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

17 STEFAN RITZ

Chief Operations Officer of ALIM and Chief Digital Officer of AMB

● 48 ● German ● Male

Qualification:

1. Diploma in Business Computing

Working Experience and Other Information:

Stefan Ritz joined Allianz in Germany in 1998 as Information Technology consultant and was assigned to Allianz Life Korea from 2000 where he held various project lead and management roles. In April 2012, he joined ALIM as Head of Operations and was subsequently appointed as Chief Operations Officer in 1 January 2013. He assumed his current position on 15 October 2016. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

18 RAFLIZ RIDZUAN

Chief Underwriting Officer of AGIC

● 50 ● Malaysian ● Male

Qualifications:

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

Working Experience and Other Information:

Rafliz Ridzuan joined AGIC in October, 2000 as Head of Corporate Business. He was appointed Head of Sales in 2011 prior to his current role as Chief Underwriting Officer which he assumed on 1 September 2014. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

19 FELICIA LEE CHI KWAN

Head of Finance of AGIC

● 53 ● Malaysian ● Female

Qualifications:

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

Working Experience and Other Information:

Lee Chi Kwan joined the Company in 2005, and assumed her current position as Head of Finance of AGIC, on 1 November 2010. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

SENIOR MANAGEMENT TEAM PROFILE

20 LIM LI MENG

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

- 55
- Malaysian
- Female

Qualifications:

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

Working Experience and Other Information:

Lim Li Meng joined ALIM in 2003 and has held several senior managerial positions in ALIM attached to various Divisions such as Product Development, Operations with her last position being Chief Market Management Officer of ALIM. Li Meng was subsequently appointed to her current position on 1 November 2012. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

21 LEE CHEE SIN

Appointed Actuary / Chief Actuary of ALIM

- 35
- Malaysian
- Male

Qualifications:

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

Working Experience and Other Information:

Lee Chee Sin joined the Company on 17 April 2017 as Head of Corporate Actuarial. He assumed his current position on 9 July 2018. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2019.

Directorship in Public Company: NIL

22 CORRINE YEO CHIN SAN

Chief Risk Officer of ALIM

- 36
- Malaysian
- Female

Qualifications:

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

Working Experience and Other Information:

Corrine Yeo joined ALIM in January 2018 as Chief Risk Officer. 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 2019.

Directorship in Public Company: NIL

23 OOI HAW YUN

Chief Product Officer of ALIM

- 37
- Malaysian
- Male

Qualifications:

1. Bachelor of Science in Actuarial Science
2. Associate of Society of Actuaries (ASA)

Working Experience and Other Information:

Ooi Haw Yun joined the Company in 2013 as Head of Actuarial Modelling and subsequently he was appointed as Head of Pricing on 1 September 2014. He assumed the role of Acting Chief Product Officer on 16 May 2019 and was subsequently appointed as Chief Product Officer on 1 January 2020. 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 2019.

Directorship in Public Company: NIL

A TRUSTED PARTNER FOR NAVIGATING LIFE

By demonstrating courage and resilience in the face of challenges and always delivering when it matters most, we strive to be a trusted and reliable partner to our shareholders, customers, employees and the community.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am happy to report that Allianz Malaysia Berhad ("Company") registered commendable results for the financial year ended 31 December 2019 ("FY2019").

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Chairman – Independent Non-Executive Director

These results as registered by the Company and its subsidiaries (collectively referred to as "Group") are resilient against the backdrop of dampened economic sentiment and global headwinds, which saw the Malaysian economy grow at a slower pace of 4.3 percent in 2019 from 4.7 percent in 2018.

For the year in review, the Group continued to register top-line growth with an operating revenue of RM5.53 billion, growing at 6.8 percent from RM5.18 billion in 2018. The Group recorded RM4.92 billion in Gross Written Premiums ("GWP") for 2019, an increase of 9.3% from RM4.50 billion in 2018. This improvement was driven by strong growth in our life insurance business.

In tandem with the solid top-line performance, the Group's profit before tax increased by 33.4 percent to RM692.1 million from RM519.0 million in 2018. Basic earnings per share stood at 203.9 sen as compared to 167.9 sen in the previous year.

The Group's performance in 2019 is testimony to our continued commitment to our shareholders to focus on profitability, deliver sustainable share value and to protect investors' capital and provide attractive dividends.

In view of the Group's strong financial performance, we are pleased that we are in a position to declare a better dividend this year, reflecting our improved results against a difficult market.

The Board declared a single tier interim dividend of 51.00 sen per ordinary share (2018: interim dividend of 40.00 sen) and a single tier interim dividend of 61.20 sen per irredeemable convertible preference

CHAIRMAN'S STATEMENT

share ("ICPS") (2018: interim dividend of 48.00 sen) for FY2019. The Board further declared a single tier special dividend of 14.00 sen per ordinary share and a single tier special dividend of 16.80 sen per ICPS. The dividend payout represents a 62.5 percent increase from 2018.

DELIGHTING OUR CUSTOMERS

The Group's performance in FY2019 is largely attributed to the continued emphasis we place on delighting our customers. We appreciate that our customers turn to us in their times of need and through the years, we have focused on maintaining an excellent level of service for our customers to continue to place their trust in us. We listen to our customers through various surveys to gauge their level of satisfaction on our services and use this to drive continuous improvement.

I am also pleased to highlight that globally, Allianz Group was named the top insurer on the Interbrand Best Global Brand Rankings 2019. Its brand value increased to US$12.1 billion during the year from US$10.8 billion in 2018. The Company is honoured to have contributed to the brand's rise as the global brand leader in insurance and is encouraged that our commitment to serving our customers has supported this achievement.

DRIVING AN INSPIRED WORKFORCE

I am proud to note that our employees continue to play a key role in driving the excellence of our business. We are deeply committed to their development and welfare, which has resulted in strong employee satisfaction and a healthy attrition rate where our Employee Engagement Index, which measures our employee satisfaction, was at a high of 80 percent.

Underscoring the investment we make in our employees, we provide them with training both locally as well as overseas at other Allianz entities around the world. This offers our employees valuable international exposure which may not be easily available to them elsewhere.

Additionally, we are delighted to have set up our Centre of Competence ("COC") in Kuala Lumpur in July 2017. The 23-strong workforce at the COC, of which 19 are Malaysians, currently support Allianz's actuarial needs across seven Asian countries.

The establishment of the COC in Kuala Lumpur also reflects our commitment to the development of Malaysian talents as we seek not only to achieve profitability for our business, but also to contribute to nation building.

"The Group's profit before tax increased by 33.4 percent to RM692.1 million from RM519.0 million in 2018. Basic earnings per share stood at 203.9 sen as compared to 167.9 sen in the previous year."

I would also like to highlight our success in encouraging diversity in our workforce. We welcome diversity and equality among all our stakeholders, whether among our employees, agents or customers and the community at large. Reflecting on this, our overall workforce consists of 67 percent female employees while our senior management also benefits from a strong representation of women, making up 48 percent of the team. I am especially proud to note that we did not arrive at this diversity by simply emphasising gender equality, but by supporting and empowering individuals to perform their best in our organisation.

Further demonstrating the diversity of our organisation, I am pleased to report that the Group employs a total of 24 Persons with Disabilities ("PWDs"), who serve in various capacities in departments across the Group.

EMBRACING CLIMATE ACTION

Due to the nature of our business of providing protection and security to our customers, we view our corporate social responsibility and sustainability activities as inherent to our operations. In recent years, this has seen us increasingly focus on environmental initiatives as we rise to the growing calls for climate action.

On a global level, we are supportive of the move by Allianz Group in Munich to join the RE100 initiative, a global initiative led by The Climate Group. The Climate Group works with businesses and governments to address climate change and under RE100, Allianz Group is committed to sourcing 100 percent of its global electricity needs from renewable sources by 2023.

Locally, it is important to us that we support the government's ambition to increase the adoption of renewable energy in Malaysia. We are proud to be a leading insurer in this field, and hope that by addressing the protection gap in the photovoltaic ecosystem, we can spearhead changes and take advantage of opportunities that help tackle climate change. Furthermore, we are aware that a

CHAIRMAN'S STATEMENT

holistic perspective is necessary – thus we incorporate environmental considerations into our community work. One such example is the installation of a solar system for the Selangor and Federal Territory Association for the Mentally Handicapped as a long-term cost-savings measure.

Employee volunteering remains an important part of our culture. Our volunteers continue to advocate safety and inclusion through our road safety campaigns and disaster preparedness trainings, and we have also broadened our volunteering opportunities to include mentoring through the Capacity-Building Programme for Social Enterprises and Non-Governmental Organisations. This year, the Group launched its first large-scale volunteering initiative where groups of employees planned and implemented a social or environmental initiative of their choice. Not only does this foster collaboration amongst colleagues, it helps to build empathy – an important characteristic for our industry which is ultimately about the people.

We firmly believe that education paves the way towards social inclusion. Thus, we continue our support for the second cohort of the SOLS Academy of Innovation for underprivileged youth and also kicked off a project to establish a community centre in Pulau Tuba with the aim of encouraging the use of English language and digital literacy amongst the local community.

The year 2019 also marked the fourth year of our commitment to support the Malaysian contingent's preparation for the Abilympics competition, an international competition that aims to improve the vocational skills of PWDs and encourage their participation in socio-economic activities. By supporting social inclusion programmes that equalise opportunities for the underserved, we want to demonstrate that with the right kind of enabling factors, everyone should be able to succeed.

PRACTISING STRINGENT STANDARDS OF CORPORATE GOVERNANCE

As a global financial services institution, we continuously uphold the strictest standards of corporate governance in our operations. In fact, in light of the new Section 17A of the Malaysian Anti-Corruption Commission Act 2019, which comes into effect on 1 June 2020, we are taking the opportunity to relook at our practices and policies to ensure that they are appropriate and adequate. Section 17A is in line with the Group's Code of Ethics & Anti-Corruption Policy which was adopted many years ago pursuant to which we have practiced zero tolerance towards any corrupt or inappropriate activities. We are also dedicated to firmly managing any of our employees or agents found to infringe the integrity of our operations.

THE YEAR AHEAD

Against the backdrop of the COVID-19 pandemic and its adverse impact to both local and foreign markets globally, the year ahead will be challenging for the Group. However, we are confident of the Group's resilience driven by its robust business model that will get us through this crisis. Malaysia's economic growth is expected to see a significant decline given the economic fallout from COVID-19, disruptions in supply chains and cautious spending. We also look forward to offering simplified insurance products to entice customers towards securing protection.

ACKNOWLEDGEMENTS

Following the completion of my first full year as Chairman of Allianz Malaysia Berhad, I would like to convey my gratitude to my colleagues for their support, stewardship and wise counsel. On behalf of the Board, I wish to extend our appreciation to the Group's senior management team and employees for their diligence and commitment towards our success.

I would also like to record the Board and the Company's gratitude to Renate Wagner, Foo San Kan and Marzida Binti Mohd Noor for their contributions to the Board. Their advice and guidance was invaluable.

We welcome Claudia Salem and Peter Ho Kok Wai as the Company's new Directors. I would like to express my thanks to our shareholders, customers, agents, brokers, bank distribution partners and other business partners for their unwavering support. Our gratitude goes to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all our other regulatory bodies and authorities for their advice and guidance.

Thank you.

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM
Chairman

18 March 2020

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

DEAR SHAREHOLDERS,

I am delighted to share that Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") performed brilliantly in FY2019, despite a soft domestic economy and challenging market conditions.

ZAKRI BIN MOHD KHIR

Chief Executive Officer of Allianz Malaysia Berhad

We achieved this by living up to our ethos of prudence, and delivering on our promise of protection to our customers and being there in their moments of need. As we deftly navigated the quagmire of market forces and the regulatory environment, we remained steadfast in our commitment to be consistent in serving our customers.

During the year in review, growth in the general insurance sector was flat with a slight pick-up in the second half of the year. However, the market has generally remained weak in the last two years with a decline in Gross Written Premium by 0.8 percent in 2019.

The life insurance industry recorded a healthy growth of 14.8 percent in Annualised New Premiums ("ANP"). The performance of the life insurance industry reflects the continued increase in awareness among Malaysians on the importance of insurance protection.

We see ample room for continued economic reforms, particularly in the area of reducing bureaucracy to enhance the ease of doing business and enabling a freer market. While efforts to assist the underserved and realise an equitable economy should be maintained, this should not arrest the progress of liberalisation to ensure the development of a fair and competitive market.

There also remains enormous potential for diversification of the economy to reduce our reliance on commodities as well as foreign labour. These factors constrain the country's ability to advance its economy and threaten its sustainability going forward.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL RESULTS

The Group recorded an operating revenue of RM5.53 billion in FY2019 from RM5.18 billion in FY2018. This followed an increase in gross earned premiums of RM301.4 million and increase in investment income of RM51.1 million. Our Gross Written Premiums ("GWP") rose 9.3 percent from RM4.50 billion in FY2018. The Group achieved consolidated profit before tax of RM692.1 million, a growth of 33.4 percent from RM519.0 million in the previous year, backed by business growth and fair value gains. Profit before tax excluding fair value gains and impact from some non-recurring items increased by 14.2 percent instead.

Our financial performance for the year allowed us to achieve earnings per share of 203.87 sen and deliver a return on equity of 14.0 percent, demonstrating the continued value we provide to our shareholders.

CONSOLIDATED GROUP RESULTS

Key Figures: Group

	2019	2018	Delta
Operating Revenue (RM' million)	**5,534.37**	5,181.93	352.44
Profit Before Tax (RM' million)	**692.14**	518.98	173.16
Return on Equity (%)	**14.0%**	11.6%	2.4%
Basic Earnings per Ordinary Share (sen)	**203.87**	167.90	35.97
Diluted Earnings per Ordinary Share (sen)	**142.29**	109.09	32.20

The Group reported another record performance in 2019. Our general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") achieved a GWP of RM2.20 billion as compared to RM2.12 billion in FY2018. It achieved a profit before tax of RM362.4 million, an increase of 13.0 percent from RM320.6 million in the previous year. Allianz General remains the market leader in the general insurance segment with a market share of 12.3 percent.

Our life insurance subsidiary, Allianz Life Insurance Malaysia Berhad ("Allianz Life"), continued to post excellent growth during the year, recording a 14.3 percent increase in GWP to RM2.73 billion from RM2.38 billion in the previous year. Allianz Life continued to maintain its position in the life insurance segment, with a stable market share of 8.5 percent compared with 8.4 percent in 2018.

BALANCE SHEET REVIEW

The Group's balance sheet and solvency positions for both insurance subsidiaries remained strong in 2019. Total assets increased by 13.2 percent to RM19.71 billion as compared to RM17.40 billion in 2018, as a result of growth in our investment portfolio.

Our investment portfolio grew by 12.9 percent to RM16.09 billion as at 31 December 2019. The investment mix remained relatively stable during the year, comprising government and government related bonds, unquoted bonds of corporations, quoted equities securities and unit trust, loans and deposits with banks.

Insurance and more specifically life insurance, is a business with long-term commitments. This is reflected in our investment strategy, with government and government-related bonds representing 47.6 percent of our investment portfolio, which grew 9.3 percent to RM7.65 billion. This was followed by unquoted bonds of corporations of 29.2 percent.

The Group's cash and cash equivalents consist of cash, bank balances, fixed and call deposits with licensed institutions. Cash and cash equivalents stood at RM1.60 billion, increasing by 29.1 percent from RM1.24 billion in 2018.

Total liabilities grew by 14.2 percent to RM16.04 billion compared to RM14.04 billion the year before as a result of higher insurance contract liabilities which increased by 12.8 percent to RM14.42 billion. This represents 89.9 percent of the total liabilities. The increase in insurance contract liabilities was in line with the Group's business growth. Other liabilities remained stabled at RM1.61 billion compared to RM1.25 billion in the previous year.

Shareholders' fund as at 31 December 2019 was RM3.67 billion, an increase of 9.3 percent from RM3.36 billion in 2018. This was mainly attributed to the net profit generated for the year ended 31 December 2019.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

ASSET ALLOCATION REVIEW

Type of investment	**2019 (RM' million)**	2018 (RM' million)	Delta (RM' million)	**2019 %**	2018 %	Delta pts
Debt instruments; thereof:						
Government and government-related bonds	**7,649.57**	6,972.06	677.51	**47.6**	48.9	(1.3)
Unquoted bonds of corporations	**4,701.75**	4,792.72	(90.97)	**29.2**	33.6	(4.4)
Quoted equities securities	**1,982.93**	1,462.38	520.55	**12.3**	10.3	2.0
Loans	**278.37**	281.93	(3.56)	**1.7**	2.0	(0.3)
Cash	**729.55**	332.00	397.55	**4.6**	2.3	2.2
Others	**743.18**	408.31	334.87	**4.6**	2.9	1.7
Total	**16,085.35**	14,249.40	1,835.95	**100.0**	100.0	-

OPERATIONS REVIEW

GENERAL INSURANCE

Key Figures

	2019	2018	Delta
Gross Written Premiums (RM' million)	**2,197.50**	2,121.32	76.18
Profit Before Tax (RM' million)	**362.42**	320.57	41.85
Claims ratio (%)	**59.1**	62.1	3.0 pts
Expense ratio (%)	**31.9**	30.7	(1.2 pts)
Combined ratio (%)	**91.0**	92.8	1.8 pts

Agency remained a key channel for the general insurance business, contributing 57.5 percent, or RM1.26 billion, of the total GWP. Meanwhile, the Franchise channel grew to become more instrumental in Allianz General's growth, recording 25.1 percent growth over the previous year to contribute 24.9 percent, or RM548.2 million, to GWP. Motor insurance is a significant segment of the general insurance industry and Allianz General is one of the top motor insurers in the country.

The Motor portfolio made up 62.6 percent, or RM1.38 billion of GWP, while the remaining RM821.4 million from Non-Motor is made up of Property, Health, Personal Accident, Liability, Marine and others.

For the year in review, Allianz General delivered a positive underwriting profit of RM166.6 million, an increase of 20.8 percent from RM137.8 million in 2018. The combined ratio remained healthy at 91.0 percent as compared to 92.8 percent in 2018. This was a result of improved claims ratio of 59.1 percent in 2019, against 62.1 percent in 2018, due to a one-off impact from better than expected claims experience. Correspondingly, profit before tax increased by 13.0 percent to RM362.4 million from RM320.6 million the year before.

LIFE INSURANCE

Key Figures

	2019	2018	Delta
Annualised New Premiums (RM' million)	**594.80**	512.75	82.05
Gross Written Premiums (RM' million)	**2,725.03**	2,383.54	341.49
Profit Before Tax (RM' million)	**340.74**	204.44	136.26
New Business Value (RM' million)	**258.80**	199.77	59.03

In 2019, Allianz Life continued to deliver a record set of results, maintaining its fifth position in the conventional life market with a stable market share of 8.5 percent in terms of ANP. Overall ANP increased by 16.0 percent to RM594.8 million from RM512.8 million the year before. The growth was mainly driven by Agency, Bancassurance and Employee Benefits channels.

Agency channel contributed the largest share of ANP with 76.3 percent, amounting to RM454.0 million. This was a 12.2 percent increase from RM404.5 million the year before. Growth was mainly from the successful implementation of the Agency Transformation programme which was aimed at enhancing agent professionalism, creating end-to-end sales process digitisation and increasing agent productivity to effectively mobilise over 4,400 agents nationwide. Investment-linked products made up of 73.1 percent of the total agency new business production.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

Allianz Life is in the seventh year of its exclusive bancassurance partnership with HSBC Bank Malaysia Berhad. Sales from HSBC recorded a 35.2 percent growth in ANP, accounting for 19.6 percent of the total ANP in 2019.

Corporate Clients and Solutions ("CCS") previously known as Employee Benefits, grew 18.4 percent to RM24.5 million in ANP from RM20.7 million the year before. Allianz Life continues to have strong relationships with key brokers as well as maintains a healthy direct channel with several medium to large corporations.

Allianz Life registered a record growth in profit before tax of 66.7 percent from RM204.4 million to RM340.7 million. The strong profit growth was mainly due to business growth and fair value gains. Profit excluding fair value gains and impact from some recurring items increased by 31.4 percent instead. New Business Value ("NBV") is our main measure of profitable growth and we achieved a strong growth of 29.6 percent in 2019.

DIVIDEND

In view of the Group's financial performance, we are pleased that we are in a position to declare a better dividend this year, reflecting on our improved results against a difficult market. The Board declared a single tier interim dividend of 51.00 sen per ordinary share (2018: interim dividend of 40.00 sen) and a single tier interim dividend of 61.20 sen per irredeemable convertible preference share ("ICPS") (2018: interim dividend of 48.00 sen) for FY2019. The Board also declared a single tier special dividend of 14.00 sen per ordinary share and a single tier special dividend of 16.80 sen per ICPS. The dividend payout represents a 62.5 percent increase from 2018.

RENEWAL AGENDA 2.0

In implementing Renewal Agenda 2.0, we are moving up a gear. The next chapter of our strategy is using the motto "Simplicity Wins". Simplicity is key, as it enhances customer and employee satisfaction and increases our productivity and flexibility. Our goal is for Allianz to become a simple, digital, and scalable organisation that is fully customer-centric.

- **Simple** – We are going to reduce the complexity of our products and processes. This will make our offerings more intuitive, and it will free up more time to serve our customers. Furthermore, it will increase customer loyalty as well as fuel growth in highly competitive markets.

New Business Value ("NBV") is our main measure of profitable growth and we achieved a strong growth of 29.6 percent in 2019.

- **Digital** – We are going to digitalise products and processes and use data analytics to improve product design as well as pricing and claims, and win new customers.
- **Scalable** – We are going to harmonise products and processes across our businesses. By using knowledge, best practice, and technology assets at scale, we continuously aim to become faster and more productive.

PUTTING OUR CUSTOMERS FIRST

As a leading insurer in Malaysia and among the top insurance brands globally, our customers are at the heart of our business. In our constant efforts to elevate the customer experience, we have re-examined every minute detail of our customer's journey. This has allowed us to define and refine our processes.

Among the results yielded from this exercise is an improvement in the delivery of our health insurance products, providing faster and more convenient service to customers seeking medical treatment. We have now internalised our core health functions with a focus on digitalisation and automation in our key functions. We are also constantly investing in our people to ensure that they provide services with the best interest of our customers in mind.

Allianz General, with its one-of-its-kind Road Rangers service proposition, has always made customers its top priority. There are six touch points in it to ensure that if anything untoward happens, the motor accident assistance is smooth and painless, and customers will experience an easy, seamless journey when making an accident claim. Moving forward, more efforts are in the pipeline to make the Road Rangers service increasingly simple and focused on key touch points. These wonderful initiatives have earned Allianz General increased customer ratings and will continue to motivate us to further evolve and meet discerning customer needs.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

SIMPLIFYING OUR PRODUCTS

Malaysia's insurance sector suffers from a stagnating penetration rate as protection is not the first thing people think about. At the same time, a fragmented sector with many players jostling for market share has made the industry highly competitive.

To contend with this environment, we have focused on maximising sales by offering more affordable products. For both our Life and General businesses, our strategy is to provide more definitive products which will cater to our customers' targeted needs.

For the Life Insurance business, in line with implementation of the new Investment-linked Guideline, we have enhanced the product transparency and disclosures for our core investment-linked products to protect the interests of our customers. We continue to offer innovative products with great value for our customers. With our MediSafe Infinite+, customers can enjoy comprehensive coverage in medical treatments and get rewarded with a refund of cost of insurance up to 20 percent by staying healthy. In addition to that, with MediAdvantage, customers now have access to the best medical treatment worldwide for major diseases such as cancer and heart disease.

For the General Insurance business, we continue to cater for the increasing needs and demands of customers. We launched the Allianz Cancer Protect product - a comprehensive plan that provides cancer protection and gives customers the flexibility in managing cancer diagnosis. Customers have an option of either Coverage A - Lump Sum Insured Amount; or Coverage B - Lump Sum Insured Amount with Overseas Medical Treatment Benefits.

Our personal accident product, Allianz Shield Plus, was also enhanced to provide our customers with better variety and increased coverage; thus enabling them to choose a suitable plan that fulfils individual needs.

For Allianz Motorcycle Plus, we are the first local insurer to provide motorcycles under 245cc added protection at no extra cost. Motorcyclists will be able to choose between either Allianz Motorcycle Plus (Comprehensive) or Allianz Motorcycle Plus (Third Party Only).

LEVERAGING ON DIGITAL INNOVATIONS

Digital solutions have become an increasingly vital component of our business in recent years. We understand that going digital means much more than just migrating our services online. The Company has embraced digitisation throughout our business processes, allowing us to interact more efficiently with our customers and our intermediaries.

During the year, Allianz General continued the fruitful partnerships fostered with local new economy players such as Speedhome (formerly known as Speedrent), an online platform which manages home rentals, SOCAR, an online car rental platform and Policystreet, an Insurtech platform. Besides that, we also responded to the regulatory implementation with regard to e-hailing and launched a daily e-hailing insurance. This has benefited our motor customers who work as Grab drivers whether on a part-time or full-time basis.

We are also continuing efforts with our customer-facing AI chatbot, Aida, which allows us to interact with our customers in a new and more efficient manner. Aida is trained to be able to respond immediately to simple product related enquiries. Customers can now interact with Allianz at just the touch of a button, at a time that suits them as the chatbot is available 24/7. Since its launch, we have seen a steady increase in the number of users who opt to engage with our chatbot.

Currently, we are working with more than 50 digital partners and have gained recognition as the go-to insurance provider as we are equipped with system capabilities and product offerings that meets their business needs.

While we move towards working with more digitally enabled partners, we also recognise that our existing intermediaries remain an important part of our business. In view of this, we have made a lot of efforts to digitalise capabilities for our intermediaries to enable them to compete in today's market.

Internally, we have also digitalised our core processes to drive productivity. We achieved this by analysing pain points in our process flow to simplify the processes. As a result, we shortened our policy issuance to three days from seven previously. As at December 2019, 23 percent of our new business at Allianz Life was delivered in five minutes, and 90 percent was delivered in just one minute. We are very proud of this achievement.

With all the initiatives done thus far, the journey has only just begun. As the market continues to evolve and customers' expectations continue to shift, the digital agenda for the Group will remain our utmost priority.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

PROTECTING THE ENVIRONMENT

A welcome benefit to digitalisation is the reduction in paper use as well as travel across the Company and for our intermediaries. This builds on our continuing efforts to improve our environmental management. Apart from reducing carbon emissions, we have reviewed our investments and insurance offerings to promote the transition to a low carbon economy. We are aware that limiting global warming to 1.5°C is essential to prevent the most catastrophic consequences of climate change. Globally, Allianz joined The Climate Group's RE100 initiative, committing to source 100% of global electricity needs from renewable sources no later than 2023. We are exploring the use of solar energy in our own operations, and actively advance Malaysia's green agenda by providing protection for its burgeoning solar photovoltaic industry.

Advancements in energy technology help to reduce our emissions, yet we as a society cannot become complacent about our role in environmental deterioration. Malaysia, unfortunately, has a history of misusing natural resources, evidenced by 2019's spate of environmental tragedies: severe water pollution in Sungai Kim Kim, the death of Iman - our last Sumatran rhino, and the worst haze we have seen in recent years. It is a constant struggle to balance profits with doing what is right. While we try our best, we are aware that we do not stand in isolation and are influenced by the environment we operate in. Thus, we welcome supportive elements including government efforts to incorporate sustainability into development, such as the mandatory requirement for all palm oil plantations to obtain the Malaysian Sustainable Palm Oil ("MPSO") certification, which we incorporate into our own underwriting criteria.

We also embrace a sustainable approach to development as we know that long-term environmental concerns come second to bread and butter issues. Climate change will disproportionately impact the poorest populations, thus we support corporate responsibility projects that aim to lessen this disparity. For example, the SOLS Academy of Innovation provides underserved youth with education opportunities in the field of solar panel installation while the sponsorship of a solar panel system for the Selangor and Federal Territory Association for the Mentally Handicapped ("SAMH") provides cost-savings through green energy, enabling them to harness the opportunities that arise from embracing a low carbon economy. Furthermore, we work to build resilience through our disaster risk reduction activities that target vulnerable populations. We conduct preparedness trainings with flood-affected communities and are also working to bolster the food and water security of Orang Asli communities in drought-affected areas.

We see our social responsibility as an extension of our core purpose as an insurer, equalising opportunities of those less fortunate than us in their moment of need. To this end, we advocate social inclusion, both within our company and in the wider community.

Our support for the Malaysian contingent to the Abilympics – an international vocational skills competition for Persons with Disabilities, for the Community Empowerment Centre in Pulau Tuba – that provides education and literacy to this rural community, and for non-profit organisations such as MOBILITI – that provides affordable transport to wheelchair-users in Klang Valley, serves to promote the participation of marginalised members of the community. Insurance is ultimately about people and we are proud of the people that make up Allianz, who show their empathy through corporate responsibility events like the inaugural Allianz For Good Initiative, which itself made up over 3,400 volunteering hours this year.

EMPOWERING OUR AGENCY FORCE

We recognise that our agency sales force is among our strongest assets as insurance is still mainly purchased through agents. Over the years, we have consistently focused on raising the quality of our agency force by working with the top talents and best performers. While this has seen us reducing our number of agents, it has also substantially raised agents' productivity.

On the Balanced Scorecard, we have been utilising this tool diligently and achieved remarkable results in disciplining our agents.

On the general insurance side, we revamped our strategy in managing our agents. Rather than categorising them by their production through the pyramid system, agents were categorised into three main pillars of general insurance products, namely Personal Lines, Motor and Commercial. The aim of this strategy was to focus more on developing our agents' strengths by increasing their knowledge in the respective product pillars in order to increase their productivity.

Towards realising this strategy, colleagues from the Group's head office conducted a nationwide training tour to branch offices on product knowledge as well as promoting a change in mindset for both agents and marketers. At the same time, we have prepared our marketeers to become specialists in specific lines to support our agents.

CEO'S MESSAGE AND MANAGEMENT DISCUSSION & ANALYSIS

We will continue to focus on elevating our agency force by enhancing their digital capabilities, providing training and recruiting the best agents as well as applying strict performance criteria.

We will continue this strategy throughout 2020 and strongly believe that agents who receive the support and encouragement needed will be more engaged and passionate, ultimately going the extra mile to ensure customers have a great experience.

Continuous learning is one of the essential elements for agents to remain competitive in this ever changing world. We always cherish our agents' personal development while equipping them with new knowledge along with the assistance of top-notch digital tools. As part of the digital journey to further enhance agent experience, Allianz Life has introduced AllianzLearn, an e-Learning Management System. This new learning platform is aimed at providing agents with a holistic and seamless learning experience.

MANAGING THE RISK ENVIRONMENT

For the insurance sector, growth remained challenging for general insurers amidst concerns over the US-China trade war, outflow of funds, and weak consumer sentiment leading to subdued domestic economic activity. Going into 2020, the COVID-19 pandemic will have an adverse impact on the global economy. We are in uncharted waters and we expect it to be extremely challenging, particularly in the first half of the year. However, we are resilient and we will survive the crisis. As many countries put in place various measures like strict mobility constraints and social distancing to contain the spread of the virus, the economic fallout from COVID-19 has become broader and deeper. The full impact on the Malaysian economy is yet to be seen given the uncertainty over the duration, intensity and the overall impact of the COVID-19 outbreak. Malaysia's economic growth is expected to see a significant decline but mitigated by fiscal stimulus packages and accommodative monetary policy, we hope that the economy will gradually return to its growth track in 2021.

MOVING FORWARD

In the year ahead, we will continue to focus on elevating our agency force by enhancing their digital capabilities, providing training and recruiting the best agents as well as applying strict performance criteria. Anchored by our professional sales force, we will also seek to enhance our product offerings and simplify our processes.

While the deregulation of the local insurance sector remains slow, we are confident of our ability to compete at a level playing field in a more open market. We see further potential to balance prevailing protectionism with free enterprise, which we believe will allow the economy to flourish.

Additionally, we recognise that both market players and the government have much more to do to improve local economic conditions. This will require stronger political will to bring about meaningful change to the country and we hope the newly formed government will play a role in ensuring this. In this regard, we look forward to working with the government of the day in implementing economic and market reforms to fully harness Malaysia's potential for growth.

ACKNOWLEDGEMENTS

I would like to take this opportunity to convey my gratitude to our Board of Directors for their stewardship and guidance in ensuring the Group continues to deliver value to all our stakeholders.

A word of gratitude also goes to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all the regulatory bodies and authorities for guidance.

I would also like to express my appreciation to our shareholders, customers, agents, brokers, bancassurance partners and other business partners for their continued support. Our employees also deserve a word of thanks for their dedication to our work, without which the Group would not be where it is today.

Thank you.

ZAKRI BIN MOHD KHIR
Chief Executive Officer


Allianz

SUSTAINABILITY REPORT 2019

Our actions as a responsible business, an employer of choice, and a responsible corporate citizen, have long-term sustainability in mind. We foster social inclusion and prudent environmental management in order to secure the well-being of future generations.

CEO'S STATEMENT

When it comes to sustainability, we at Allianz are aware that we do not stand in isolation. More than ever, the interconnectedness of issues concerning the economy, environment, and society make us aware of our role in a larger system – both in influencing it and being affected by it.

ZAKRI BIN MOHD KHIR

Chief Executive Officer of Allianz Malaysia Berhad

Across the world, we are seeing an unprecedented low interest rate regime and subdued economic activity following the outbreak of the COVID-19 virus. Globally, revisions are being made in the way the economy functions, and people are also adjusting their social behaviour. At this point, we are not sure what the long-term impact of these changes will be. What we do believe is that it would be imprudent and irresponsible to continue promising the same profit growth as before. Realistically, the days of huge investment gains are over. However, we remain steadfast in our commitment to provide consistent and reliable service to our customers, and are confident that this will enable us to weather the challenges ahead. What is needed at this time is economic leadership that considers not just how much we can earn but for how long. Thus, it is in our shared interest to ensure that what we do earn and invest has the long-term view in mind.

As an insurer, we are well aware of the risks we face if we fail to act on climate change. Globally, Allianz has made a number of commitments that help us transition to a low-carbon economy. Unfortunately, in Malaysia we observe a sluggish response to the urgency of this problem. Decades of disrespect to the environment in pursuit of development has depleted, but not decimated, our abundant resources and this has made us complacent. The state of the environment in 2019 showed us the cost of our so-called progress: toxic pollution in Sungai Kim Kim, being dubbed the world's plastic waste dump, and the loss of our last Sumatran rhino - Iman - as a punctuation mark to our accelerating biodiversity decline. Yet, we witness daily the greed of profiteers who have no scruples trading the health of our environment for a quick buck. We are indeed painting a grotesque picture for future generations to remember us by.

It is not too late to change this picture. Through our role as an insurer, we support the government's aspiration to achieve 20% renewable energy by 2025. We pride ourselves in being a leading solar energy insurer and, in accordance with Allianz Group commitments, are phasing out coal-based investments. Our community project with Science of Life ("SOLS") 24/7 supports the education of Orang Asli and underserved youth in solar panel installation, improving their livelihoods while at the same time embracing the opportunity that comes with a transition to renewable energy. This, I believe, is the key to tackling climate change in Malaysia. To lift up the state of the environment, we must lift up all of society.

Being environmentally conscious is a privilege not all Malaysians can afford. Bread and butter issues make it difficult to look beyond the next paycheque, what more for the long-term viability of unborn generations. There can be little progress in environmental matters without addressing the human element. This is why we continue to invest in projects that address the underserved, with the aim of equalising opportunities available to all Malaysians. We also advocate unity and diversity, both in the makeup of our company as well as through the projects we support. Malaysia's polarisation along political, racial, and religious lines is amplified by a minority of loud voices that do not speak the will of the people but provide a distraction from the reality of the absolute income disparity that exists. Unfortunately, this also distracts from our potential to progress by leaps and bounds as a country, if we could only act collaboratively and put the concerns of all Malaysians first.

Amidst this backdrop, we have our challenge cut out for us. We cannot remain insulated from the fact that our actions at this juncture determine our long-term sustainability. Recognising that we have a bigger role to play in shaping the national conversation, we want to use our roles as employer, insurer, and investor to promote action on climate change and social inclusion. We see this as a natural extension of our role to secure our shared future, and invite you to join us in making a difference on these fronts.

Zakri Bin Mohd Khir
Chief Executive Officer

ABOUT THIS REPORT

SCOPE

This report encompasses the sustainability management and performance of Allianz Malaysia Berhad and its subsidiary companies, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") and Allianz Life Insurance Malaysia Berhad ("Allianz Life") in 2019. Allianz SE (the holding company of Allianz Malaysia Berhad, its subsidiaries and associated companies) is collectively referred to as "Allianz Group".

Data presented is from Allianz Malaysia Berhad, Allianz General, and Allianz Life, which are collectively referred to as "Allianz", unless stated otherwise in the course of reporting.

REPORTING PERIOD

1 January 2019 to 31 December 2019

REFERENCE AND GUIDELINES

The report was developed with reference to Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Sustainability Reporting Guide, the United Nations Sustainable Development Goals ("SDGs"), Global Reporting Initiative ("GRI") Sustainability Reporting Standards and Allianz Group's Sustainability Report.

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

Our Key Sustainability Achievements 2019

Gross Written Premium **+9.3%**	Amount spent on employee training **RM2.9 million**	Reduction in CO_2 emissions since 2010 **9.6%**
Number of customers **2.3 million**	Women in management positions **60%**	Employee volunteering hours **5,345 hours**
Number of Digital Partners **54**	Work-Well Index **75%**	Employees engaged in corporate volunteering **57%**

SUSTAINABILITY GOVERNANCE

Our sustainability strategy is overseen by the Allianz Board ("Board"), supported by the Risk Management Committee ("RMC") and Sustainability Working Group ("SWG") as indicated in **Diagram 1**. The RMC is chaired by an Independent Non-Executive Director and supported by members of the Board while the SWG is chaired by the Head of Allianz4Good, with support from members of Senior Management and other designated officers. SWG members are representative of Allianz's operations, risk management, public relations, employee relations, and environmental management, amongst other topics. The structure of our sustainability governance ensures that our sustainability initiatives are discussed at the highest level, with topics integrated into and actions cascaded throughout the organisation.

Our sustainability strategy is shaped through continual assessments by the Board through the RMC, based upon prevalent sustainability concerns and Allianz's overall business strategy. The SWG is responsible for driving efforts to realise sustainability targets as well as monitoring the relevant measures and indicators. At the end of our first 3-year round of Sustainability Targets and Indicators established in 2017, we take the opportunity to acknowledge our progress but also reflect on our approach in order to drive improvements. It has been a journey of learning, and we use these lessons to refine our strategy in order to meaningfully integrate sustainability considerations into our overall business strategy. The targets and indicators are illustrated in **Table 1** in the following pages.

Moving forward, we will further drive the sustainability focus areas of Environment and Social Inclusion with broader participation from within our workforce by providing a platform for cross-functional ideation and solutions.

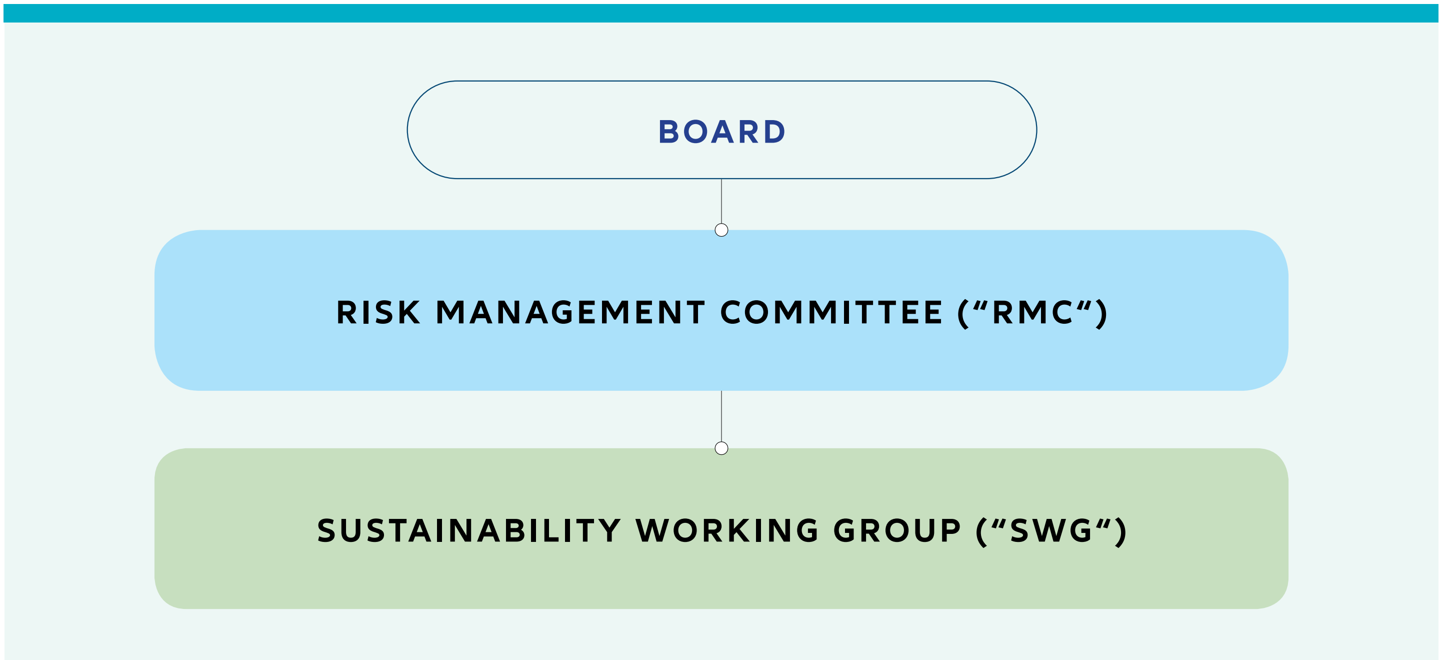


Diagram 1: Governance Structure of Sustainability Working Group

SUSTAINABILITY GOVERNANCE

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

Theme	Target	Sustainability Matter 2019	Yearly Indicators	Progress in 2017	Progress in 2018	Progress in 2019
	To achieve Loyalty Leader position for both subsidiaries	Customer Satisfaction	Results of Net Promoter Score ("NPS")	Allianz General: ↑14.7%	Allianz General: ↑5.5%	Allianz General: ↓3.3%
				Allianz Life: ↑13.6%	Allianz Life: ↑17.4%	Allianz Life: ↓19.3%
			Number of resolved complaints	583	519	637
			Percentage of resolved complaints[1]	95.0%	91.9%	92.2%
			Average complaint processing time[2]	Allianz General: 10 calendar days	Allianz General: 10 calendar days	Allianz General: 14 calendar days
				Allianz Life: 12 calendar days	Allianz Life: 22 calendar days[3]	Allianz Life: 20 calendar days
	Adopting technological innovation	Technological Innovation	New users of digital platform available	Website: 184,360	Website: 187,460	Website: 398,356
				A to Z App: 3,459	A to Z App: 8,680	A to Z App: 22,066
			Increase in engagement rate on Allianz digital platforms	Imagine App: 86%	Imagine App: 95%	Imagine App: 97%
		Business Innovation	Number of claimed cases reported via digital platform for customers	A to Z App: 1,066	A to Z App: 2,654	A to Z App: 6,567 Imagine App: 1,263
			Number of Allianz operations that have been digitalised (cumulative)	5	9	12
				(i.e. Enhanced Imagine, ePolicy, Banca eSub, A to Z App & Expert Underwriting)	(i.e. e-communication, SRS, RMFD, Needs Discovery Performance Management)	(i.e. online premium collection, auto underwriting, submission of e-claims)
			The number of digital partners on board	Allianz General: 27	Allianz General: 41 Allianz Life: 1	Allianz General: 53 Allianz Life: 1
			Number of policies distributed/ sold through digital platforms (Allianz Online)	Allianz General: 1,000	Allianz General: 11,207	Allianz General: 13,275
	To develop an agile workforce that is aware of and responsive to potential risks	Regulatory Changes	Number of relevant awareness trainings conducted	8	7	6
		Ethics & Compliance	Number of relevant awareness campaigns conducted	5	5	4

1 Percentage of resolved complaints has been added to supplement the indicator 'Number of Resolved Complaints' to provide a meaningful year-on-year comparison.

2 Data has been restated to indicate calendar days instead of working days, reflecting how the complaint processing information is recorded.

3 Allianz Life 2018 data was restated to reflect processing time for complaints only. The earlier reported figure included processing time for complaints and feedback (defined as comments for improvement but not lodged as complaints). More information on complaints can be found in the **Customer Satisfaction** section in this report.

SUSTAINABILITY GOVERNANCE

Theme	Target	Sustainability Matter 2019	Yearly Indicators	Progress in 2017	Progress in 2018	Progress in 2019
	Provide employee learning and development	Talent Attraction & Retention	Percentage of employees who attended at least one training session	48.4%	34.4%	62.4%
			Number of training days per employee yearly	3.7 days	3.1 days	3.4 days
			Total RM spent yearly on training for all employees	RM3.72 million	RM3 million	RM2.9 million
			Number of employees who completed professional examinations	113	94	136
	Having fair employment practices, fostering diversity and equal opportunities	Fair Employment Practices	Employee Engagement Index	81%	79%	80%
			Inclusive Meritocracy Index	82%	81%	83%
			Employees by gender and job position	60% female managers	60% female managers	60% female managers
			Employees based on age groups: below 25 years 25-34 years 35-44 years 45-54 years 55 years and above	 6% 38% 34% 16% 6%	 5% 38% 34% 18% 5%	 4% 38% 34% 18% 6%
			Employees with disabilities	21 employees	23 employees	24 employees
	Increasing consideration of ESG matters into business decisions & operations	Integrating Sustainability and Environmental Management	Number of Sustainable Solutions offered to customers	4	5	6
			Total CO_2 emissions per employee (kg)	2,915kg	2,733kg[4]	2,901kg
			Total water consumption (m^3 per year)	22,000m^3	18,466m^3	19,746m^3
			Total amount of electricity consumption (kWh per year)	4,435,654kWh	4,039,361kWh	4,033,591kWh
			Total amount of paper consumption (kg per year)	119,216kg	111,395kg[5]	122,760kg
			Total amount of paper recycled (kg per year)	43,417kg	26,596kg	17,872kg
	To reduce societal risks and equalise opportunities of underserved communities	Community Development	Total number of beneficiaries	~31,288	~49,591	~16,787
			Total volunteering hours	1,470 hours	3,474 hours	5,345 hours
			Total amount allocated for beneficiaries through Corporate Responsibility (RM allocated yearly)	RM2,379,500	RM1,845,540	RM1,977,000
			Total amount of donations company-wide to support local communities (RM yearly)	RM562,561	RM279,945	RM172,000
			Total amount of sponsorships company-wide (RM yearly)	RM1,867,597	RM2,067,030	RM2,696,395
			Number of community partners	47	58	62

4 The 2018 figure is restated to incorporate the extended scope for paper monitoring described below.

5 The 2018 figure is restated to incorporate outsourced printing sources that were previously out of scope. More information on our Environmental Management System can be found in the **Environmental Management** section of this report.

OUR STAKEHOLDERS

Our decision-making is built upon the consideration of a diverse range of views. We last conducted a stakeholder prioritisation exercise in 2017 and have repeated this in 2019 to review the applicability of material matters to our business activities. Through the exercise, our Senior Management team determined our key internal and external stakeholder groups, which are defined by their levels of influence and dependence on Allianz. We made an additional distinction this year, in comparison to previous years, by breaking down our internal stakeholders into Employees, Senior Management, and Board of Directors, to represent their different concerns, dependency, and influence on the organisation. The results of the stakeholder prioritisation exercise are set out in **Diagram 2** below. The views of our high priority stakeholders on Economic, Environmental, and Social ("EES") topics are of particular interest to us, and are compiled in **Table 2** on the following pages. These views are built into the development of our Materiality Matrix, further explained in the **Our Material Matters** section.

Stakeholder Prioritisation Matrix

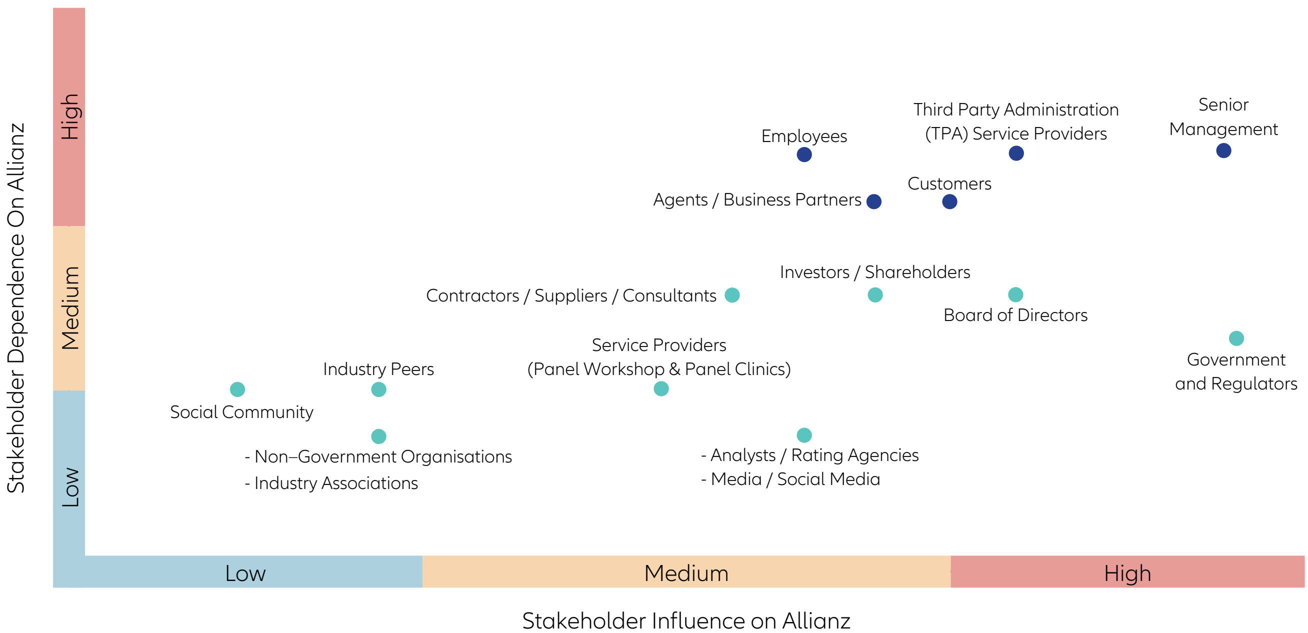


Diagram 2: Stakeholder Prioritisation Matrix

OUR STAKEHOLDERS

Table 2: Stakeholder Concerns by Stakeholder Group

Stakeholder Group	Engagement Channels	Key Areas of Concern	Allianz Response
Employees (consolidates Senior Management and Employees)	• Sustainability Survey 2019 • Allianz Employee Survey • Employee on-boarding training • Townhall meetings • Allianz internal publications (e.g. monthly newsletters & quarterly magazines) • Allianz staff portal • Learning & development programmes • Corporate volunteering programmes • Direct employee feedback • One-to-one interviews	• Customer Satisfaction • Ethics & Compliance • Cyber Risk	Page 52 - 64
Third Party Administration (TPA) Service Providers	• Sustainability Survey 2019 • One-to-one meetings • Vendor Integrity Screenings	• Business Innovation • Ethics & Compliance • Cyber Risk	Page 52 - 64
Board of Directors	• Sustainability Survey 2019 • Director on-boarding training • Directors briefings • Board & Board Committee meetings • Allianz internal publications (e.g. monthly newsletters & quarterly magazines) • Learning & development programmes • Corporate volunteering programmes	• Climate Change & Natural Disasters • Customer Satisfaction • Ethics & Compliance	Page 70 - 89 Page 52 - 64
Customers	• Sustainability Survey 2019 • Online platforms (e.g. corporate website, social media, smartphone applications & mobile messaging) • Customer satisfaction survey (Net Promoter Survey, 5-star rating) • Community events (e.g. Allianz Pacer Run 2019 & Allianz Pacesetter 2019)	• Customer Satisfaction • Cyber Risk • Business Innovation	Page 52 - 64

OUR STAKEHOLDERS

Stakeholder Group	Engagement Channels	Key Areas of Concern	Allianz Response
Agents/ Business Partners	• Sustainability Survey 2019 • Allianz internal publications (e.g. Agents' magazine & quarterly magazines) • Seminar & annual marketing conventions • Agents training sessions • Online platforms (e.g. corporate website, social media, smartphone applications, mobile messaging & Allianz agent portal) • Corporate volunteering programmes • Corporate events (e.g. festive dinners)	• Customer Satisfaction • Ethics & Compliance • Talent Attraction & Retention	Page 52 - 64 Page 65 - 69
Investors/ Shareholders	• Sustainability Survey 2019 • Annual General Meetings • Quarterly analyst briefings • Quarterly Reports and Annual Reports • Shareholders' circulars • Fund Performance Reports • Online platforms (e.g. corporate website & social media) • One-to-one meetings with fund managers & investors	• Ethics & Compliance • Customer Satisfaction • Climate Change & Natural Disasters	Page 52 - 64 Page 70 - 89
Media	• Sustainability Survey 2019 • Press conferences & events • Media releases	• Customer Satisfaction • Cyber Risk • Technological Innovation	Page 52 - 64
Suppliers	• Sustainability Survey 2019 • Vendor Integrity Screenings • One-to-one meetings	• Customer Satisfaction • Ethics & Compliance • Cyber Risk	Page 52 - 64
Non-Government Organisations	• Sustainability Survey 2019 • NGO Integrity Screenings • One-to-one meetings • Corporate giving programmes • Employee volunteering programmes • Media releases	• Customer Satisfaction • Technological Innovation • Societal Change	Page 52 - 64 Page 70 - 89

Legend:

Responsible Business

Employer of Choice

Responsible Corporate Citizen

OUR MATERIAL MATTERS

Key to our long-term success is the recognition and understanding of topics that affect us beyond conventional operational matters. In tandem with the stakeholder prioritisation process, we conducted a materiality assessment exercise in order to identify megatrends that are perceived as important to our stakeholders and which impact our business. In accordance to Bursa Malaysia's Sustainability Reporting Guide, the materiality exercise entailed Stakeholder Engagement, involving one-to-one interviews and the circulation of our Sustainability Survey 2019 to eight stakeholder groups. The survey required stakeholders to rank each sustainability matter, based on their perception of its importance to Allianz, on a scale ranging from Low Importance (1) to High Importance (4). Following this, an Impact Assessment exercise was conducted with Allianz Senior Management to determine the probability of occurrence and level of impact each sustainability matter has on Allianz. The resulting Materiality Matrix and Top Ten Sustainability Matters are indicated in **Diagram 3** and **Table 3** respectively. This insight guides us in crafting appropriate responses to the risks and opportunities that these matters present.

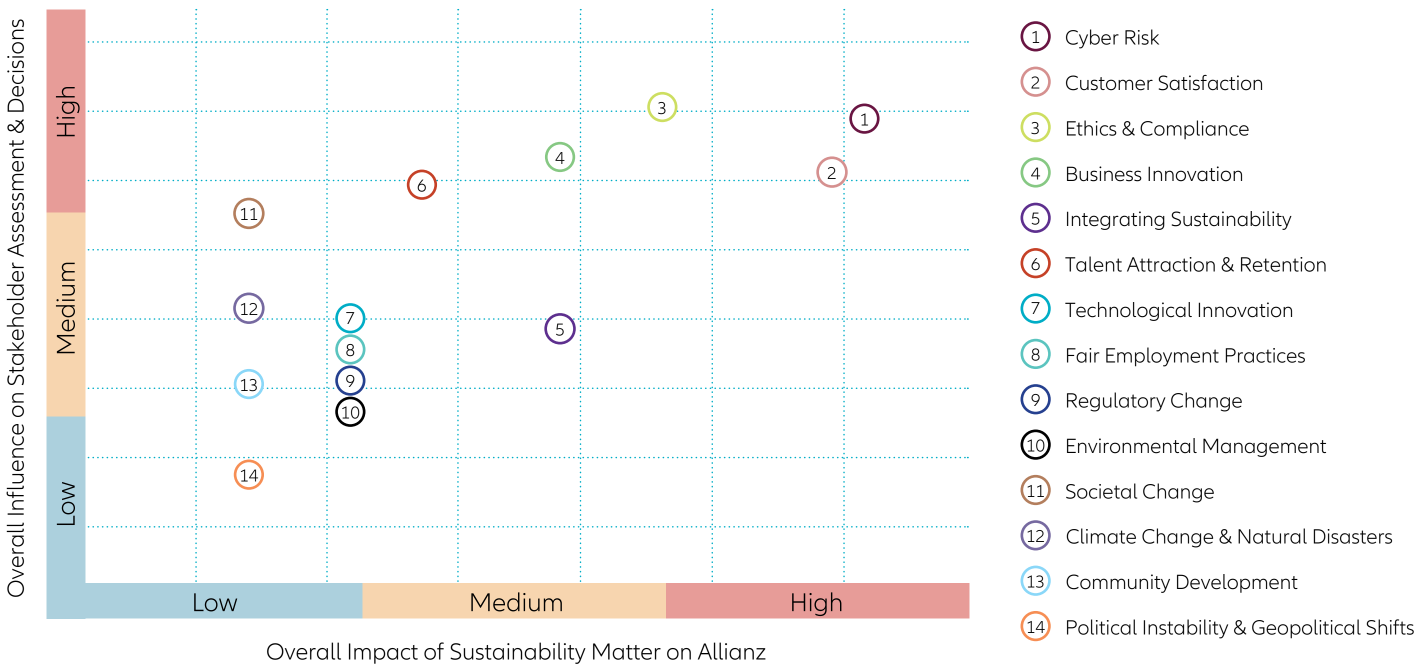


Diagram 3: Materiality Matrix

A number of changes were made to the sustainability matters included for the materiality assessment. The Community Development category was reintroduced this year as it was raised numerous times by our stakeholders, thus we recognised its significance as a topic on its own. The category Quality of Risk Management was removed as it is reflected across all the topics, which address sustainability risk, and thus was not a clearly-distinguishable topic for our stakeholders. Information regarding Allianz's risk management can be found in the **Statement on Risk Management and Internal Control**.

In this year's materiality assessment, Cyber Risk jumped a number of places to emerge as our top material matter. Similar sentiments were recorded in PwC's Insurance Banana Skins 2019[6] report which had Technology and Cyber Risk identified as the top two risks facing the insurance sector, and the Allianz Risk Barometer 2020[7] where Cyber Incidents were rated as the top peril for companies globally. Our increasing reliance on data and IT systems corresponds with the scale of damage possible from threats to them, and in tandem, our efforts in cyber preparedness and response.

Ethics and Compliance was particularly emphasised by the investor community, as financial services are expected to uphold the highest standards of corporate governance in order to build and maintain shareholder trust. Adherence to Allianz Group standards in areas such as data privacy, ethical conduct, and information technology has placed us in a good position to ensure that we meet these new standards.

6 https://www.pwc.com/gx/en/financial-services/assets/pdf/insurance-banana-skins-2019.pdf
7 https://www.agcs.allianz.com/content/dam/onemarketing/agcs/agcs/reports/Allianz-Risk-Barometer-2020.pdf

OUR MATERIAL MATTERS

Environmental concerns have also become more prominent, no doubt influenced by the chorus of voices from young persons around the world. The World Economic Forum's Global Risks Report 2020[8] reflects this, as for the first time the top five risks in terms of likelihood were all from the same category, namely climate change and related environmental issues. Although gaining prominence, awareness and understanding of climate change in Malaysia is still underdeveloped. Moving forward, we intend to leverage on expertise and insights from Allianz Group to further this topic within our Company and the national discourse.

Our approach matches global megatrends with national topics that matter most to our local stakeholders. These considerations shape our roles as a **responsible business**, an **employer of choice**, and a **responsible corporate citizen**. As a **responsible business**, our product and service offerings take environmental, economic, and social ("EES") factors into account. As an **employer of choice**, we ensure that we create an inclusive work environment that encourages and rewards high performance, and as a **responsible corporate citizen**, we support and encourage sustainable growth in the communities that we live and work in.

Table 3: Allianz Top 10 Material Sustainability Matters 2019

Rank	Themes	Material Aspect	Scope of Sustainability Matter
1		Cyber Risk	Data Privacy & Security, risks due to emerging technologies, reputational risks related to digital media, underwriting risk from cyber insurance
2		Customer Satisfaction	Customer-centric decision-making, relevant and timely support, value-added services, service provision improvements, responding to customer feedback
3		Ethics & Compliance	Transparent communications, good corporate governance, responsible sales conduct, clear and accurate marketing
4		Business Innovation	Development into new segments/markets, adapting to future work trends, preparing for disruption from new competitors
5		Integrating Sustainability	Taking environmental, social, and governance matters into consideration in business and investment decision-making, providing appropriate/needs-based insurance solutions
6		Talent Attraction & Retention	Learning and development, rewards and remuneration, career opportunities, workplace satisfaction, equipping workforce with skills of future economy
7		Technological Innovation	Enhancing digitalisation of processes and product offerings, automation, using big data
8		Fair Employment Practices	Fostering diversity and equal opportunities, Health, safety and well-being, open communications
9		Regulatory Change	Introduction of new laws and policies, anticipation and management of evolving regulations and standards, detariffication
10		Environmental Management and Climate Change & Natural Disasters	Internal waste and water management, energy efficiency, carbon reduction, reducing greenhouse gas emissions Insuring and investing in renewable energies, providing insurance solutions that mitigate the impact of natural disasters, considering climate risk in operations and underwriting

Legend:

Responsible Business

Employer of Choice

Responsible Corporate Citizen

[8] https://www.weforum.org/reports/the-global-risks-report-2020

Responsible Business

CYBER RISK

According to the World Economic Forum's Global Risks Report 2020, more than half of the world's population is online and roughly a million more people join the internet every day. Embedding cyber technology is no longer an option if businesses want to remain relevant. Digital technologies bring great potential for improvement and innovation, but at the same time require vigilance against the new threats that they present. According to the Allianz Risk Barometer 2020, this may include cyber challenges, such as larger and more expensive data breaches, an increase in ransomware and compromise (spoofing) to business emails as well as prospect litigation. Cyber Risk's prominence as a material matter for us reflects the recognition by our stakeholders of the role that information technology and data services play in our operations, and this section sets out how we deploy commensurate resources to address this risk.

Living up to Regulation

All Allianz employees are required to adhere to the Allianz Group Information Security Policy and Standard, governing information confidentiality, integrity, availability, and non-repudiation. The importance of addressing cyber risk is emphasised not just internally but also highlighted by Bank Negara Malaysia ("BNM") through the introduction of the Risk Management in Technology ("RMiT") policy document. Following this, Allianz General and Allianz Life have conducted a gap analysis and formulated appropriate action plans to meet the expectations and requirements prescribed under the RMiT policy document.

Data Protection

Allianz, as a part of the wider Allianz Group network, benefits from the expertise and resources of Allianz Group. This includes a centralised IT security monitoring system that is constantly scanning for threats or breaches to our cyber defences. We are also required to comply with Allianz Group policies related to information systems, such as the Allianz Group Information Security Policy and Standard, on top of BNM's guidelines governing the same. More information on these policies can be found in the **Statement on Risk Management and Internal Control**.

We are in stringent compliance to the Personal Data Protection Act 2010 ("PDPA"). Additionally, Allianz Life and Allianz General are also bound to follow the Code of Practice on Personal Data Protection for the Insurance and Takaful Industries in Malaysia. As a global group, we are also required to abide by the European Union ("EU") privacy law, namely the General Data Protection Regulation ("GDPR"), which not only addresses the requirements of the digital age, it raises data protection standards applicable to personal data originating from, or processed in, the EU. The Allianz Privacy Standard, which can be viewed in the Privacy Statement on Allianz's website, sets out our approach and commitment to comply with GDPR on top of local privacy laws and regulations by considering privacy in the design of any aspect that deals with personal data so that by default, we only collect what is necessary and reduce the risks of data privacy loss. We raised awareness of the importance of complying with data protection regulations as well as the consequences of not doing so through a mandatory online training and assessment that was rolled out across Allianz, for all our employees.

View the Allianz Privacy Standard at: **www.allianz.com.my/privacy-statement**

We have a Data Privacy Professional ("DPP") who is responsible for ensuring that data privacy and protection-related compliance processes are appropriately implemented, maintained, and adhered to in accordance with local laws and Group requirements. In case of an incident reported involving breach of customer data, the DPP and the data privacy team will be notified to investigate and take appropriate mitigation action.

Building a Risk-Resilient Culture

Cyber criminals often target the human layer, which they perceive to be the most vulnerable part of any cyber defence. As such, we are diligent in equipping our workforce with knowledge on mitigating and effectively responding to cyber risks. At least 5% of our entire IT budget is allocated to information security, and cyber risk forms part of our Business Continuity Management under the Allianz Standard for Protection and Resilience ("ASPR"). The ASPR is an Allianz Group policy that outlines the framework, principles, and procedures on establishing, implementing, and maintaining a holistic approach to Protection and Resilience. It fosters an organisational culture that anticipates, prepares for, and adapts to changes and sudden disruptions in order to protect Allianz business operations (IT and Non-IT), personnel, and physical assets.

Under the ASPR, all employees undergo an annual e-learning training covering the topics of Protection and Resilience, Business Continuity Management, and Crisis Management awareness. Additionally, the Board of Directors and Senior Management are required to attend a training session on emerging threats and trends in Business Continuity Management and Crisis Management, with cyber and systemic risk topping the agenda in 2019.

We regularly test our cyber resilience through, for example:

- Quarterly phishing campaigns where e-mails are sent to employees to educate and test for vulnerabilities
- Cyber security drills involving the IT incident response team to test their reaction to security incidents such as ransomware or cyber-attacks
- Half-yearly functionality testing of disaster recovery servers
- Annual security assessment of all applications and networks by an independent third party security provider, which includes a penetration test

Additionally, all employees are required to complete an annual e-declaration that covers topics such as data classification, password security, social engineering, social media risk, and mobile device use, amongst others. This is to ensure that their awareness of cyber security and data privacy risks is regularly refreshed. Other steps taken to reduce risk of customer data breach include:

- Restrictions on the use of USB devices and ports
- Data Loss Prevention policy whereby sending or uploading of files that contain sensitive information is automatically flagged
- Privilege access management solution that manages users' access rights and secures Allianz's IT system from identity theft and data leakage
- Two-factor authentication ("2FA") for remote access of Allianz's internal system
- Hard disk and device encryption

Following annual IT penetration tests and round-the-clock monitoring, we did not face any significant incidents or breaches in 2019.

Responsible Business

CUSTOMER SATISFACTION

Customer satisfaction remains a priority for us as we continue to innovate with customer needs in mind. This includes expanding our offerings to cater for broader sections of society, increasing accessibility through the expansion of our channels, and staying abreast of societal trends to ensure that our protection remains relevant. As we transition into the second phase of the Group-wide Renewal Agenda, we continue to focus on simplification and superior service to deliver on our promise to customers. The principle of True Customer Centricity remains at the core of all our actions, guiding us to achieve our aspiration of being the most reliable partner, always delivering in moments of truth. Our insurance footprint, made up of 3.6 million policies held by 2.3 million customers, is illustrated in **Diagram 4** below.

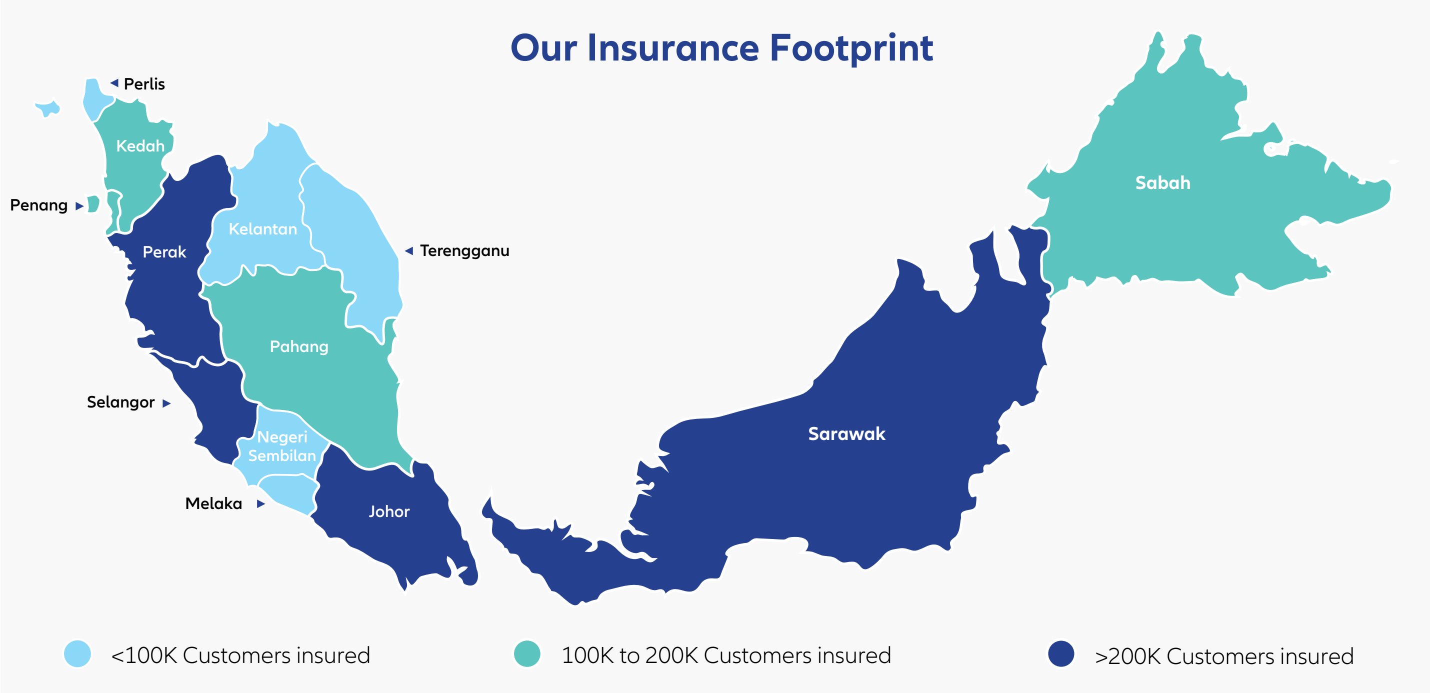


Diagram 4: Our Insurance Footprint

Understanding Our Customers

The annually conducted Net Promoter Score ("NPS") is an assessment of brand loyalty that offers us insights into customers' interactions with us. Our results in 2019, illustrated in **Table 4** below, show a decreased score from both Allianz General and Allianz Life, reflecting an overall decline in the market. However, Allianz General retains its Above Market position while Allianz Life sits At Market, and service remains a key business driver for both subsidiaries.

Table 4: Net Promoter Score

	Top Down NPS Performance 2017	Top Down NPS Performance 2018	Top Down NPS Performance 2019	
Allianz General	**-4.6%** (Market average = -13.5%)	**+0.9%** (Market average = +2.4%)	**-2.4%** (Market average = -8.5%)	3.3%
Allianz Life	**-5.2%** (Market average = -10.6%)	**+12.2%** (Market average = -0.9%)	**-7.1%** (Market average= -8.1%)	19.3%

We have implemented a 5-star review system to gather customer satisfaction ratings based on their experience with Allianz at specific points in their customer journey. This methodology has been piloted since May 2019 with the Road Rangers service – our nationwide motor accident assistance for our Motor Comprehensive (Private Car) policyholders – where we observe an increased participation rate compared to the NPS due to the simplicity of the feedback process. This detailed feedback enables us to pinpoint problem areas and thus target areas for improvement.

For the Road Rangers service, customers rated us **4.62** Star in our **5** Star experiential rating in 2019

From Customer Service to Customer Advocacy

We recently revamped our Customer Service Institute with the aim of creating a pool of certified customer service professionals that can provide the convenience of a one-stop centre service. On top of completing customer transactions, they look holistically at customer needs, provide relevant advice, introduce additional options, and highlight potential policy impacts that may arise from customer decisions. We piloted this new advisory and relationship approach in 2019 which, through needs-based analysis and appropriate recommendations to customers, helps to close the insurance protection gap. We also continued with our process of centralising customer service activity, directing calls from our branch offices to the Allianz Contact Centre. This allows for greater quality control and improved management of call volumes.

We continue to work together with our intermediaries to ensure that they fulfil our service aspirations. We recognise the entrance of various disruptors into the insurance market but are confident that our approach of offering superior knowledge and service brings added value to our customers. In 2019, we started the journey of building our Allianz General agents into topic specialists by rolling out training with the purpose of ensuring they are technically proficient in their respective focus areas. This is bolstered by employee training to better support our intermediaries, as well as one-to-one coaching with the aim of enhancing their performance.

Our strategy of building an advisory relationship with our customers supports the principles of the Fair Treatment of Financial Consumers ("FTFC") policy introduced by BNM in late 2019, further elaborated on in the **Regulatory Change** section.

Listening to Our Customers

Since the extension of our Allianz Contact Centre business hours from 8am to 8pm, approximately 4.6% of customer calls, not including accident and breakdown assistance requests, came outside traditional business hours. Use of our live-chat and social media customer touchpoints is also on the rise, representing 18% of customer correspondence volumes in just a year since their introduction. Recognising that today's customers expect immediate service at a time that suits them, our revamped customer on-boarding procedure introduces customers to self-service options such as Allianz's Customer Portal and the A to Z app. However, if they need support or to speak with someone, they can be assured that help is merely a phone call or a click away.

In future, we look to deploy our digital assets to automate more processes, for example allowing customers to check their vehicle's No Claims Discount ("NCD") status via mobile interactive voice response ("IVR") anytime anywhere without having to speak to our Customer Service Associates. We are also piloting technologies such as One Time Password ("OTP") and facial recognition as a means of simplifying processes and improving data security and verification. By empowering our customers to choose when and how they want to interact with us, we aim to reduce unnecessary wait time, improve efficiency, and remain relevant to their changing needs.

In 2019, we saw an increase in the number of complaints received. We also saw a slight decline in the number of compliments received, as illustrated in **Diagram 5** below. Nevertheless, we welcome any feedback and work on the principle that any dissatisfaction must be addressed and systemic-level changes made should they prevent the issues from recurring.

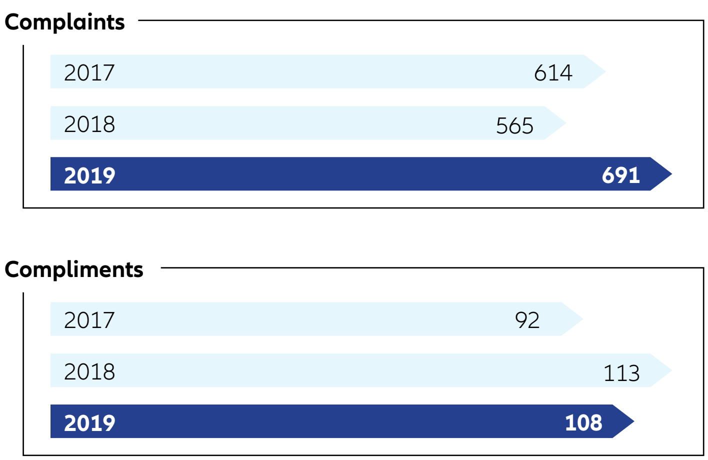


Diagram 5: Number of Customer Complaints and Compliments in 2019

RESPONSIBLE BUSINESS

We restated the complaint processing time in the **Sustainability Targets and Indicators** in **Table 1** to reflect our methodology of calculating calendar days instead of working days. The Allianz Life figures were previously reported as 16 days as they included the turnaround time for processing feedback and complaints. All data has been restated to reflect only the processing time for complaints, and this is illustrated in **Table 5**. Our average complaint processing time increased for Allianz General and decreased for Allianz Life. This is attributed to the complexities of certain cases that required in-depth investigation, including performing a deep dive on root cause analysis and corrective action planning for all cases, and objection handling. Nevertheless, we strive to delight our customers, and were able to resolve 92.2% of complaints lodged, as indicated in **Diagram 6**. We are constantly monitoring trends for any irregularities and strive to ensure that for each and every case, complaint resolution does not exceed the 14-day industry standard.

Table 5: Average Complaint Processing Time for Allianz General and Allianz Life

Average complaint processing time	Year 2017	Year 2018	Year 2019
Allianz General	10 calendar days	10 calendar days	**14 calendar days**
Allianz Life	12 calendar days	22 calendar days	**20 calendar days**

Percentage of Resolved Complaints (%)

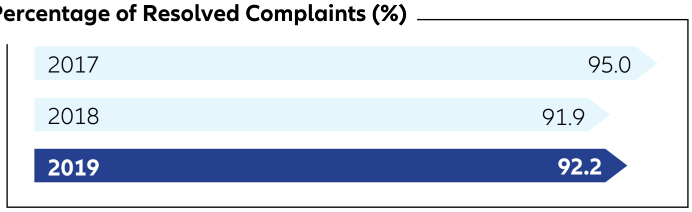


Diagram 6: Percentage of Resolved Complaints

Road Rangers tow trucks are brightly lit to ensure the safety of our customers, our responders, and the general public

Allianz Road Rangers

We continue to improve and evolve our Road Rangers service by introducing features that increase the level of safety and convenience to our customers. Tow trucks in our fleet are equipped with security cameras that record the incident scene to ensure transparency and accountability during what can be a stressful experience. Allianz Tow Truck drivers and members of the Allianz Bike Brigade are specially trained to put customers first and ensure that they are in a safe situation before dealing with the vehicle. This includes safety measures such as assisting with traffic management at a breakdown site and also ensuring that our tow trucks are brightly lit in low-light situations for the safety of other road users. This practice is reinforced through periodic training as well as stringent operating policies.

Ready in Moments of Truth

In November 2019, Allianz General deployed its claims caravan along with three 4x4 vehicles to better assist customers during the monsoon season. The vehicles were positioned at Allianz branches near flood-prone areas so that they were easily accessible for claims submission and site inspections could be conducted quickly. Part of Allianz's commitment to expedite support for flood-affected customers in their time of need included the deployment of a loss adjuster within 24 hours and a promise to make a settlement or an interim payment within seven or five days respectively from site attendance.

Allianz deployed its mobile claims service to expedite claims processing for flood-affected customers

Facing Cancer Together

Recognising the increasing number of cancer cases diagnosed each year, Allianz has two solutions that address the financial burden of dealing with a cancer diagnosis. The first is Allianz Cancer Protect, a comprehensive plan giving policyholders financial flexibility in managing a cancer diagnosis by allowing them to choose either to receive a lump sum payment or to seek treatment, with borderless access to the best medical specialists across the world. Policyholders choosing overseas treatment will experience a seamless journey, with all arrangements including flight tickets, accommodation bookings, and hospital appointments taken care of until their return home. The process is simplified to make it as accessible as possible by only requiring customers to answer three underwriting questions upon application. Of over 600 Allianz Cancer Protect policies sold, less than 2% have required further inquiry.

The second solution Allianz has launched is MediSafe Infinite+, a primary medical rider for Allianz PowerLink, which offers customers extensive cancer coverage when seeking medical treatment locally. This new cancer coverage includes access to new medical technology in cancer treatment such as genomic testing, targeted therapy, hormonal therapy, and immunotherapy.

To support the rollout of these products, we want to build the empathy of our intermediaries towards customers facing a cancer diagnosis. We have organised knowledge-sharing forums as well as tours of cancer facilities in Malaysia, in the hopes that this will enable them to provide caring and meaningful service to our customers.

Allianz agents attending a talk on cancer after touring Sunway Medical Centre's cancer facility

Recognised for Excellence

We are driven by our service aspiration of delighting our customers and are grateful that our efforts have been acknowledged. In December 2019, Allianz Life took home The Brand Laureate Industry Champion Brand ICON Award 2019 which celebrates and recognises Allianz Life for its brand leadership and standard of excellence achieved in the life insurance industry.

Responsible Business

ETHICS AND COMPLIANCE

As a financial institution our business is built on the promise that we make to our customers, and as such is based on our customers' trust. Allianz earns and maintains this trust through stringent application and enforcement of policies and standards in the areas of ethics, transparency, and accountability. We are compliant not only with local and national laws, but also to Allianz Group's policies that are in compliance to EU standards and regulations. More information on how we respond to newly introduced regulations applicable to us can be found in the **Regulatory Change** section of this report.

Embedding Ethics into Our Organisation

Being a service-based industry, we take matters related to ethical behaviour and proper conduct very seriously. A management-level Ethics and Compliance Committee and Integrity Committee are responsible for the oversight of related topics, and they report to the Senior Management and Board-level Audit Committee respectively. Our policies and guidelines related to ethical behaviour are listed out in **Table 6**, and further information can be found in our **Statement on Risk Management and Internal Control**.

While we continue to expand our digital offerings, our business is still largely dependent on our intermediaries. Thus, it is imperative that our agency force adheres to the highest standards. Our agents are required to comply with a minimum standard of conduct set out in the Sales Policy and Sales Agent Code. Any incidents of misconduct are deliberated upon and the corresponding disciplinary action is meted out by the Integrity Committee of Allianz Malaysia Berhad and respective Ethics and Compliance Committees of Allianz Life and Allianz General, based on the Sales Compliance Disciplinary Policy.

The Balanced Scorecard ("BSC"), which forms part of the Life Framework, is an initiative by BNM to professionalise intermediary sales conduct by linking ethical considerations to the way their remuneration is calculated. This includes qualitative indicators across five dimensions that are used to measure an agent's quality of service. In 2019, Allianz Life agents scored well according to the BSC system, no doubt aided by tools such as the Needs Discovery feature incorporated into agents' Imagine digital application that aims to provide appropriate recommendations to customers. Some of the enhancements made to our Needs Discovery tool are detailed in the **Technological Innovation** section.

We further ingrain the principles of ethical selling among agents through tailored on-boarding programmes for new agents, yearly refresher trainings, as well as consistent reminders in our internal communications. Our approach is based on the 4Rs – namely to Remind, Review, Recap and Reiterate. Allianz Life agents are able to access these trainings via our online learning and development system – AllianzLearn. More information on this can be found in the **Technological Innovation** section.

Table 6: Policies, Guidelines and Codes of Ethics in Allianz

Policies/Guidelines/Codes	Scope	Applicability
Allianz Group Code of Conduct for Business Ethics and Compliance	Sets out the minimum standards of conduct for Allianz employees worldwide. The Code of Conduct emphasises each employee's personal responsibility in fulfilling minimum standards of conduct in their daily practice.	All Employees
Allianz Fit and Proper Policy and Procedures for Key Responsible Persons	Ensures that key responsible persons have the integrity and competence required to perform their roles.	Directors, CEOs, Key Personnel Employees
Allianz Whistleblowing Policies and Procedures	Describes Allianz Group's Speak-up policy and management of whistleblowing incidents.	All Employees
Allianz Group Anti-Fraud Policy	Defines fraud events and their follow-up actions.	All Employees
Allianz Group Anti-Corruption Policy	Outlines existing controls and behavioural guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements, as well as facilitation of payments.	All Employees

RESPONSIBLE BUSINESS

Policies/Guidelines/Codes	Scope	Applicability
Allianz Vendor Integrity Screening	Sets out the procedure to screen and ensure the integrity of our business and community partners to ensure strong and lasting working relationships with our partner organisations. This procedure assists in managing the selection of organisations that we wish to work with and to monitor such relationships over time.	Vendors
Allianz Non-Profit & Non-Governmental Integrity Screening		Non-Profit and Non-Governmental Organisations
Allianz Anti-Money-Laundering and Counter Financing of Terrorism Policies and Procedures	Implements and enforces effective anti-money laundering/ counter terrorism financing measures.	All Employees and Intermediaries
Allianz Group Gifts and Entertainment Policy	Sets out the procedures and requirements of offering, giving, promising, or authorising any Gifts/Entertainment to clients or business partners or to receive the same from them.	All Employees
Allianz Antitrust Standard	Outlines the core set of principles and measures to ensure Antitrust compliance in all Allianz companies.	All Employees
Allianz Antitrust Code	Forms part of the Allianz Antitrust Standard and sets out four Rules of Conduct when dealing with competitors, customers, and business partners.	All Employees
Allianz Sales Policy and Sales Agent Code	Promotes professional sales conduct of intermediaries representing Allianz, on top of the Code of Ethics and Conduct imposed by respective insurance associations.	Intermediaries
Bank Negara Malaysia's Guideline on Employee Screening	Aims to promote an ethical workforce within the financial sector by strengthening the screening practices for recruitments and improve transparency of conduct histories of prospective employees for informed hiring decisions.	Hiring of employees
Allianz Product Development Management Policy	Promotes sound risk management practices in the development and marketing of products, including that they are appropriate to the needs, resources, and financial capability of the targeted consumer segments.	Employees responsible for product development, pricing, and marketing

Continuous Training on Ethics and Compliance

We continue to stress the highest standards amongst our employees, emphasised in our Employee Code of Conduct and reiterated in annual e-declarations that they understand and adhere to various guidelines and policies covering topics such as 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. This is reinforced through our internal communications, as well as through targeted campaigns such as those held in conjunction with Anti-Corruption Day and Fraud Awareness Week, and training sessions held to educate employees on the General Data Privacy Regulation ("GDPR"), explained further in the **Cyber Risk** section.

Examples of awareness training and campaigns conducted in 2019 are:

- On-boarding training for new employees on compliance and regulatory topics
- Annual Anti-corruption and Anti-Fraud Awareness training for all employees
- Annual Anti-Corruption & Anti-Fraud Awareness Training for High Risk Employees
- Anti-Money Laundering/ Combating the Financing of Terrorism ("AML/CFT") training for frontline employees
- Foreign Account Tax Compliance Act ("FATCA") training for Policy Management employees
- GDPR training for all employees
- Compliance Awareness Week 2019
- International Privacy Day
- International Fraud Awareness Week 2019
- International Anti-Corruption Day

Responsible Business

BUSINESS INNOVATION

Recent years have seen the entrance of new players into the industry, forcing conventional insurers to reconsider their approach in order to compete and stay relevant. We believe that our capacity and appetite for innovation puts us in a strong position to take advantage of our expertise and experience while optimising the opportunities that the Fourth Industrial Revolution presents.

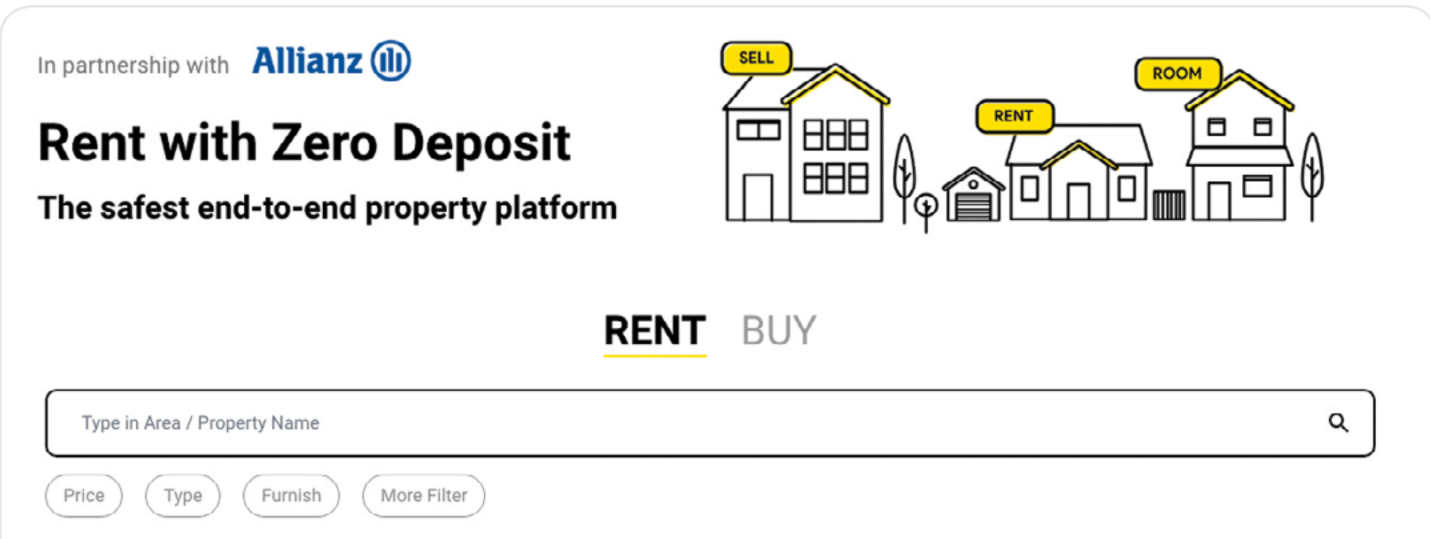
Digital-led Strategy

We have a strategy in place to drive digital initiatives comprising four pillars, namely digitally-enabled distribution, digital customer solutions, digital communications and marketing, as well as e-operations and e-services. We support all our channels, thus our strategy encompasses not just Allianz's capacity to reach customers directly online but also equipping our intermediaries to enable them to better approach and serve customers. This includes developing assets that assist with their digital journey, such as our capacity to build Open Application Programming Interface ("API") capabilities, and creating websites for agents to bolster their web presence. E-operations and e-services play a part in this as well, helping our intermediaries increase their process efficiency so they can spend more time servicing customers' needs.

Innovation through Collaboration

We firmly believe in collaborative innovation and continue to expand our partnerships, with 54 digital partners on board in 2019. Our partners span industries such as e-commerce, mobility, finance, retail, and property, amongst others, enabling us to reach new customers through non-traditional channels. We see this as a win-win situation where we benefit from our partners' ability to craft great user experiences while we use our technical expertise to tailor insurance solutions that suit their unique circumstances, thus driving our strategy of enhancing and growing our digital customer solutions.

Through our partnership with Speedhome (previously known as Speedrent), we contribute towards homeowners' peace of mind when renting out their homes by seamlessly fitting into a complete rental experience. Speedhome offers a one-stop platform for homeowners, from advertising properties to selecting tenants, generating paperless agreements, and even managing rental payments. Allianz's coverage options specially tailored for Speedhome are simple to understand, purchase, and claim from, thus contributing to Speedhome's aspiration of being the safest end-to-end property platform.



Speedhome customers are protected from losses to their property such as damages, theft, unpaid utilities, and unpaid rental

Reaching Out via Partnerships

Through our partnership with Touch 'n Go eWallet, their PayDirect and Radio Frequency Identification ("RFID") users were offered free personal accident insurance from Allianz during a four-month campaign. This gave some of their customers their first experience of protection with Allianz. Similarly, through our partnership with POS Malaysia, we are able to reach POS Malaysia customers through their 700 branches nationwide. This enables us to offer needs-based products such as our Kampungku home protection product, more information for which can be found in the **Integrating Sustainability** section. Having a wide distribution channel also allows us to develop new, relevant products, such as parcel and utility insurance, to be launched in 2020. Partnerships give us access to new channels, helping us to expand our offerings while supporting BNM's target of increasing insurance coverage amongst Malaysians.

We are constantly on the lookout for new opportunities in the ever-evolving digital field and recognise that many of the biggest disruptors have humble beginnings as start-ups. We engage with this community through our connection with the Malaysia Digital Economy Corporation ("MDEC") and the Malaysian Global Innovation & Creativity Centre ("MaGIC"), as well as through knowledge-sharing outreach programmes held in co-working spaces.

Free Personal Accident Insurance was offered to Touch 'n Go eWallet's PayDirect and RFID users

Responsible Business

TECHNOLOGICAL INNOVATION

Our efforts in technological innovation continue our Renewal Agenda aspiration of becoming Digital by Default. We use automation and new technologies to transform our insurance backbone and enhance the way we communicate with our customers. More information about how we are leveraging partnerships to enhance our digital solutions and outreach can be found in the **Business Innovation** section.

Digital by Default

At Allianz, we embrace technology as a means of serving our customers faster, more efficiently, and in a way that suits their needs. We recognise that in the current business landscape, customers are not comparing us to their previous insurance experience but to new service industries developed around user experience. One way that this impacts user expectations is the desire for near-instant feedback after interactions. In response to this, we have digitalised our communications and automated large parts of our operations.

In Allianz Life, we have been steadily reducing our paper communications, such that from 50% of communications being digital in 2018, we have achieved a 90% e-communications rate at the end of 2019. Allianz General is also working on reducing paper renewal notices and hardcopy policies. Not only does this mean that we can reach our customers quicker, an added bonus is that we are able to reduce the amount of paper and postage used for these communications.

Consistency through Digital Tools

The Imagine app, used by Allianz Life agents, serves as a single platform tool for pre- and post-sales servicing. Since 2018, Allianz Life agents have been able to use a scientific Needs Discovery tool built into the app. By following a standardised process, we are able to achieve consistency in the way that customer needs are ascertained, despite working through various intermediaries. One enhancement made to the Needs Discovery tool in 2019 was the integration of selected Allianz General products into the Imagine app such that customers could receive quotations for them should a protection gap be identified. Available in three languages, agents are able to easily illustrate medical protection needs and also assist with wealth and legacy planning.

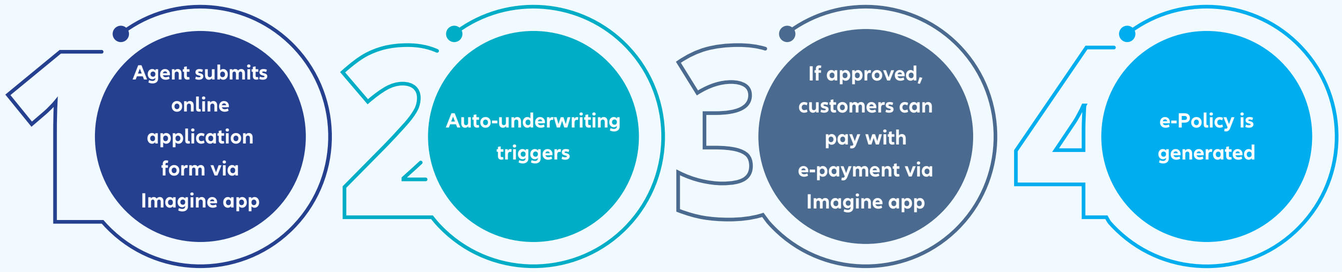
As of November 2019, agents are also able to submit reimbursement claims digitally via the Imagine app. The take-up rate has been encouraging, with 20% of claims coming from this channel in just two months. This contributes to increased efficiency as it replaces a manual process requiring agents to submit physical forms to the branch, and has the added bonus of significantly reducing paper use and operational costs. We are currently exploring other identity verification assets such as one-time password ("OTP") and facial recognition software which may lead to greater time savings, enhanced data verification security, and improved agent and customer satisfaction. We are cognisant of upcoming policy related to the application of digital assets, such as BNM's Electronic Know-Your-Customer guidelines, and take full effort to remain on par with the highest standards in ensuring our customers' data security.

> "We believe that simplicity wins in delivering greater customer satisfaction, and more importantly enhancing our agency productivity and service. What we have achieved so far is just the tip of the iceberg when it comes to evolving the way we serve our customers and making things better."
>
> **Joseph Gross**
> **CEO Allianz Life**

We continue to develop in-house digital tools to assist in our service provision to our customers. This includes the Allianz Risk Assessment Information System ("AiRIS") used by our employees when conducting risk surveys, specifically for fire risk. Via AiRIS, it is more convenient to collect information on the physical qualities of surveyed locations, convert this into a standardised score, and categorically store this information in our servers. This greatly minimises the time and effort required for the overall process. In 2019 alone, over 600 cases were entered into AiRIS, and we hope to incorporate further processes within the system to achieve greater efficiencies.

In September 2019, we launched our online learning and development system for Allianz Life agents, called AllianzLearn. 87% of our agency force has already adopted AllianzLearn, using it to register for classroom-based learning and also attend training sessions offered online. We continue to expand our e-learning options and look to integrate digital tools to incorporate a collaborative learning experience.

Allianz Life's 5-minute Underwriting Journey



Digitalisation for Customer Convenience

As a result of a concerted push for efficiency gains through digitalisation, 2019 saw Allianz Life achieving the aspirational target of five-minute underwriting, illustrated in the **Five-Minute Underwriting Journey** box. In December 2019, 23% of Allianz Life's policies – from payment to issuance of e-policy – were delivered at or below 5 minutes – with the idea that it should be ready within the time it takes for a customer to have a coffee with their agent. This builds on lessons learned from our Expert Underwriting System ("EUW"), which utilises a pre-defined rule engine to automate the approval of non-complex medical cases. As of 2019, 73% of our cases have an automated first decision through EUW, shortening the overall sales cycle and freeing up our underwriters to focus on more complex cases. We are changing the image of insurance from one that is cumbersome and paper-based to one which is simple for the customer.

Number of Claims Submitted through the A to Z App

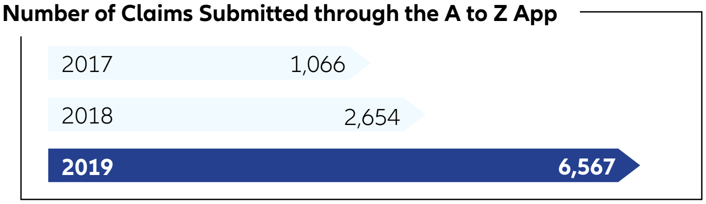


Diagram 7: Number of Claims Submitted through the A to Z App

At the end of 2019, Allianz General launched self-service motor endorsements for agents via our own issuance platform, enabling agents to perform faster policy changes for our customers. We have also improved our capacity for e-policy issuance such that 70% of our Allianz Life policies and 91% of our Allianz General policies are issued electronically. e-Policies enable us to shorten our turnaround time by delivering policy contracts, statements, and letters to policyholders digitally. On top of that, Allianz customers can access, download, and print their documents at any time that suits them via our Customer Portal.

Our A to Z app allows customers to easily access information on their policies and medical cards, search for panel clinics and hospitals, and submit hospital guarantee letter requests. Policyholders may also use the platform to submit their medical claims, with receipts necessary only for claims above RM300. As illustrated in **Diagram 7**, a total of 6,567 claims were submitted through the app in 2019, more than double the 2018 figure. The A to Z app has also seen a huge increase in its registered users to 22,066 in 2019, more than double the number in 2018, driven by our Employee Benefit customers.

In order to fully benefit from digitalisation, we constantly review our operational processes, looking for areas that can be automated or digitalised, and this has impacted our finance, human resources, and underwriting functions, amongst others. Apart from increasing efficiency and reducing human error, these initiatives tend to also impact positively on our environmental footprint, and free up our employees from physical tasks, in accordance with our organisational transformation efforts detailed in the **Talent Attraction and Retention** section.

Allianz Malaysia Facebook Page

- 43,715 new likes in 2019
- 9,658 comments
- 11,741 Shares

Responsible Business

REGULATORY CHANGE

The Fourth Industrial Revolution can be characterised by its fluid nature and incredible pace of change. The same kind of disruption that has overthrown conventional industries has necessitated the enactment of new regulation and creation of new policies to address previously immaterial concerns. Beyond existing regulation, companies must also consider those that are in development, how long it will take to comply with them, and the costs and risks of delay in doing so.

Regulating the Digital Realm

Cyber risk, being a primary concern of our key stakeholders, was also at the fore for industry regulators, as evidenced by BNM's introduction of the Risk Management in Technology ("RMiT") policy document in 2019, which came into effect on January 2020. The regulation consolidates policies related to technological risk, including asset management, technology operations, technology audits, data centres, service providers, and cloud services, amongst others, with the aim of preventing the exploitation of weak links in interconnected networks and systems that may be detrimental to financial institutions and the overall financial system. Allianz conducted a gap analysis between the RMiT guidelines and our current practice, and the resulting roadmap to compliance was submitted to BNM, while implementation is ongoing. More information on our efforts to address RMiT can be found in the **Cyber Risk** section.

The e-Payment Incentive Fund ("ePIF") Framework, introduced by BNM in 2018, was designed to encourage the migration towards electronic payments to drive the displacement of cheques, thus mitigating the risk of premium collection being misappropriated. We are required to contribute to the ePIF whenever a physical cheque is issued or received, and this amount is used to incentivise e-payments among intermediaries and customers. In Allianz, 96.2% of payments received from customers are electronic, and we have also transitioned to e-payments in our dealings with our suppliers and intermediaries. Allianz supports the added transparency that digital payments provide.

Improving Clarity in Our Financial Reporting

The International Financial Reporting Standard ("IFRS") 9 and 17 Project is a multi-year project in collaboration with Allianz Group and Allianz Group Singapore Branch ("AZAP") to enable us to comply with the two new accounting standards, IFRS 9 Financial Instruments and IFRS 17 Insurance Contracts. The implementation of the two IFRS standards will bring implications to our data, system, processes, financial reporting, products and pricing strategy. The new IFRS will impact the way that we recognise revenue and profit over the coverage period of the insurance policy and also requires extensive disclosures. This will give insurers and investors better visibility on the financial performance of the insurers, and thus promote greater transparency to aid decision-making.

Treating Customers Fairly

In November 2019, BNM issued the policy document on Fair Treatment of Financial Consumers ("FTFC"), portions of which came into effect from November 2019. The FTFC outcome encompasses corporate culture, fair policy terms, information disclosure, fair dealings, suitable advice and recommendations, and customer redress. The Treating Customer Fairly Charter outlined in the FTFC is embedded into the Allianz Service Charter, which governs our dealings with customers and can be found on our website. Our own strategy of building an advisory relationship with our customers, detailed in the **Customer Satisfaction** section, supports the principles of the FTFC, and we welcome the introduction of this policy that furthers the standards of customer service in our industry.

View the Allianz Service Charter at:
www.allianz.com.my/service-charter

In light of the introduction of Section 17A of the Malaysian Anti-Corruption Commission Act 2019, in effect from 1 June 2020, we are taking the opportunity to review our practices and policies to ensure they are appropriate and adequate. Section 17A is in line with the Group's Code of Ethics & Anti-Corruption Policy, emphasising zero tolerance towards any corrupt or inappropriate activities. We are also dedicated to firmly managing any of our employees or agents found to infringe the integrity of our operations, as described in the **Ethics and Compliance** section.

In 2019, BNM introduced new requirements with regards to Investment-Linked Business ("ILB") which aims to promote and maintain high corporate governance and professionalism in the administration of investment-linked business, ensure professional and proper conduct in the sales and marketing of investment-linked policies, and enhance product transparency and disclosure to protect the interests of policy owners. An important part of the guideline pertaining to product transparency and disclosure is that all insurers are required to disclose customers' expected policy duration at least annually and prior to effecting a change in their policies, allowing customers to make better and more informed decisions pertaining to their insurance needs. This, we believe, will ultimately help in the long-term sustainability of ILB.

Supporting the Transition to a Low-Carbon Economy

The Task Force on Climate-related Financial Disclosures ("TCFD") was established by the Financial Stability Board ("FSB") to develop recommendations towards more effective climate-related disclosures, focusing on the financial impact of climate-related risks and opportunities on an organisation. In response to this, BNM has established the Joint Committee on Climate Change to drive a concerted effort from Malaysian financial institutions. Our CEO, Zakri Khir, has been invited to join the aforementioned committee to contribute expertise and insight. BNM has issued a discussion paper on Climate Change and Principle-based Taxonomy that stresses the importance of keeping global warming well below 2°C, and which is aligned with Allianz Group's global commitments, further detailed in the **Environmental Management** section. We will incorporate relevant recommendations into our operational strategy in order to prepare and build our capability to manage the financial risks from climate change.

Employer of Choice

TALENT ATTRACTION AND RETENTION

Allianz relies on our people to deliver on our promise to our customers. A capable and skilled workforce is an important driver of our business strategy, and we recognise the need to attract, build, and retain high quality talent. As automation becomes increasingly ingrained in our operations and we reduce the number of processes requiring manual-based tasks, we are able to enhance our employees' roles such that they are able to focus on higher-order skills that help us to innovate and improve our service. In 2019, we employed over 1,800 people via our 32 branches located nationwide, as illustrated in **Diagram 8**.

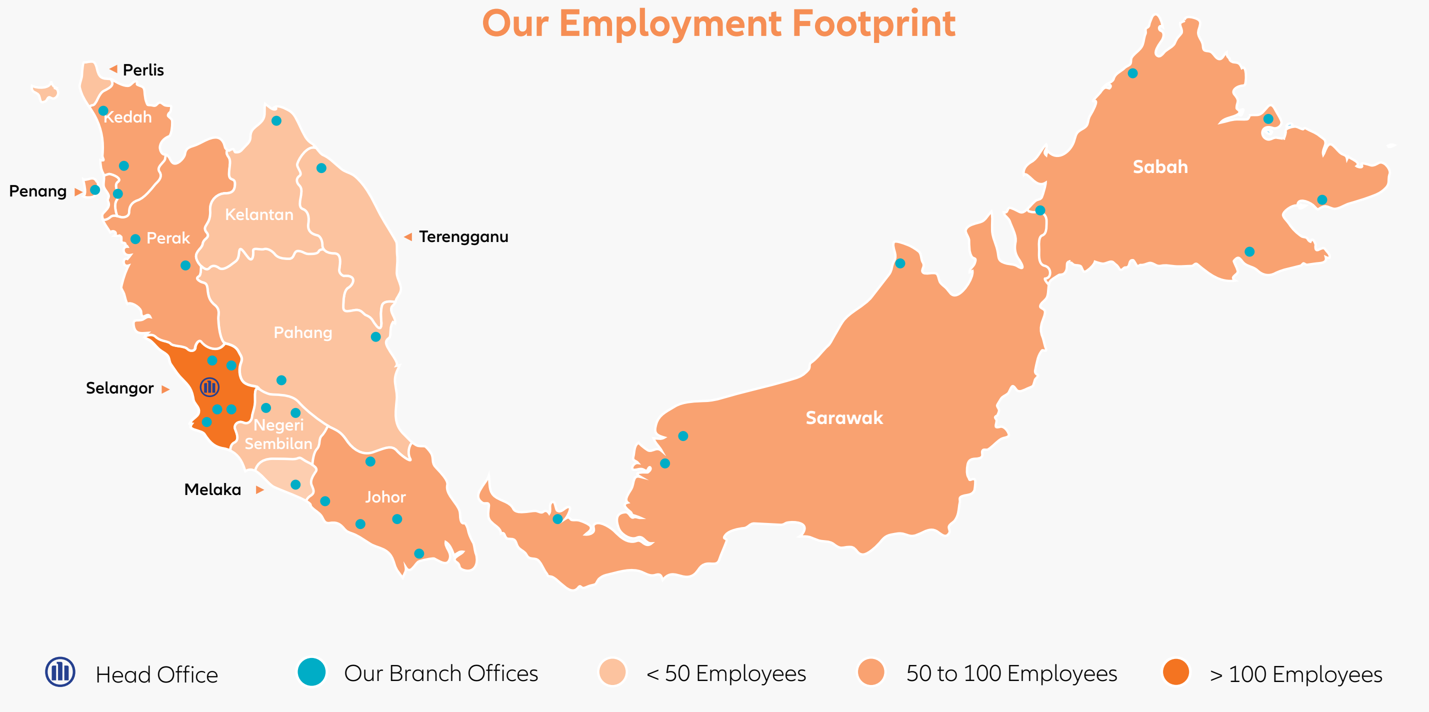


Diagram 8: Our Employment Footprint

Listening to our Employees

Our annual Allianz Engagement Survey ("AES") allows us to gauge employee experience in the areas of workplace environment, job satisfaction, as well as management and leadership. The AES is extended to all our permanent employees who have been in Allianz for at least six months, and 2019 saw a 95% participation rate. The AES is a channel for employee feedback and highlights to us areas of dissatisfaction and potential improvement specific to each department, for which follow-up actions are developed together with the Human Resources department.

The AES results serve as a key indicator of our employee engagement, leadership culture, and workplace wellness, which are measured as part of overall company performance. The Employee Engagement Index ("EEI") is a leading indicator of the degree of pride, satisfaction, advocacy, and loyalty of our employees towards Allianz. Our EEI rating improved slightly at 80% compared to 79% in 2018, a positive sign that employees understand and are on board with the current organisational transformation, discussed in **Innovating for the Future**, and that the necessary follow-up action has been taken to address employee satisfaction levels. The EEI results are illustrated in **Diagram 9**.

EMPLOYER OF CHOICE

Employee Engagement Index

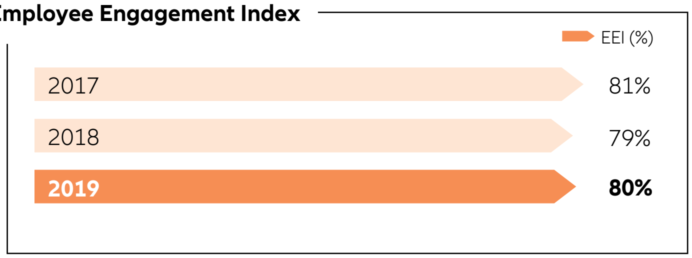


Diagram 9: Employee Engagement Index

Two other dimensions of the AES – the Inclusive Meritocracy Index ("IMIX") and Work-Well Index ("WWi") – are discussed in the **Fair Employment Practices** section.

Awarding Continued Service

Our long-serving employees are recognised through our Loyalty and Silver Jubilee Awards, where they receive a cash award upon reaching certain milestones, beginning from a consecutive period of ten years' service and greater. A total of 122 employees received Loyalty Awards in 2019, with the tenure of these Loyalty Award recipients averaging at 17 years.

Nurturing Young Talent

At the same time, we recognise the need to nurture the high potential talent within our company. The Young Board Programme and the Management Associate Programme were established with the aim of developing future leaders through structured assignments across various functions of the organisation. Both programmes provide participants with exposure, experience, and education in the areas of business, insurance operations, and leadership. A graduation ceremony was held to mark the completion of both programmes in 2019, with the graduates going on to continue their learning journeys within their roles in the organisation.

We have identified talent segments within the company that we need to grow and have planned to meet this demand through engaging with local universities that offer courses in fields such as actuarial studies, data analysis, and information technology. Offering internships to students of these universities will enable us to nurture talent and provide them with relevant work experience in preparation for becoming successful members of the workforce. In addition, mentoring and developing young talent helps our employees refresh and reinforce their own knowledge.

Innovating for the Future

To capitalise on the automation and digitalisation projects laid out in the **Technological Innovation** section, we are transforming our organisational structure and the way we work. This entails reviewing roles and functions across the organisation and looking at how we can optimise our talent. Through this process, we are able to identify gaps between our existing workforce and the workforce we need for the future, and take steps to either build internal talent or recruit externally. Optimising our workforce also means moving away from purely functional tasks towards roles where employees are given greater autonomy to innovate and improve. Employees are encouraged to work across functions and break away from silo thinking, prioritising instead how each individual role contributes to Allianz's strategic priorities.

In 2019, we invested over RM 3.5 million to establish the Allianz Centre of Competence ("COC") in Kuala Lumpur. The COC, consisting of underwriting, actuarial, compliance, risk management, and claims expertise, provides highly technical support to seven Allianz entities in the Asian region. 80% of the COC's employees are Malaysian, making it an attractive option for local talent, who are able to gain skills and knowledge while working in a multinational work setting.

Members of the Young Board and Management Associate Programme received certificates during a graduation ceremony

EMPLOYER OF CHOICE

Commitment to Lifelong Learning

As our business continues to evolve in response to changes in the industry, so too does the need for our employees to be prepared for these changes. We offer learning and development opportunities to our employees, ranging from digital learning options via LinkedIn Learning, to conventional classroom training available via our in-house learning academy AllianzU, and overseas work experience opportunities with other Allianz entities. Employees are also able to further their development through mentoring non-profit organisations and social enterprises in our Capacity Building Programme, elaborated on in the **Community Development** section. In 2019, RM2.9 million was invested in employee learning and development.

Other ways that we support continuous learning are through the sponsorship of examination and professional membership fees, examination leave, in-house training programmes, and through provision of education loans to encourage the pursuit of professional qualifications and other training. In 2019, 1,173 employees attended at least one training session with an average of 3.4 training days per Allianz employee. This excludes the various governance-related trainings that have also been carried out, as detailed in the **Cyber Risk** and **Ethics and Compliance** sections of this report.

We continue to be the only industry player that has an in-house technical programme certified by the Malaysian Insurance Institute ("MII"). The Professional Commercial Underwriters Certification ("PCUC") programme is aligned with Allianz Group's Standard in Underwriting Guidelines, with modules accredited by MII to enable PCUC graduates to fast-track their route towards obtaining a Diploma with MII. In 2019, 95 employees obtained an MII qualification, while 41 employees achieved their Life Office Management Association ("LOMA") accreditation.

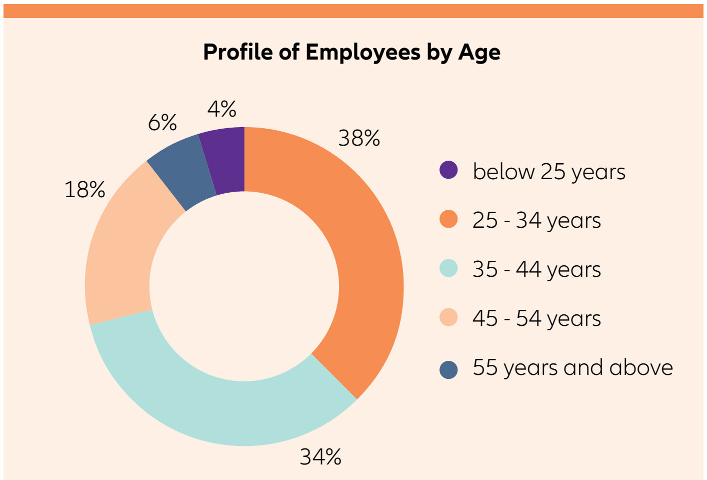
136 employees received a professional qualification in 2019

Learning and development at Allianz consists of on-the-job learning, mentoring, and structured training

Employer of Choice

FAIR EMPLOYMENT PRACTICES

Under the Allianz Renewal Agenda, Inclusive Meritocracy is emphasised in pursuit of a high performing workforce. We believe that diversity and inclusion is key to building a culture that not only respects and values difference, but is able to empathise and innovate in accordance with the needs of our multi-faceted Malaysian society. We are committed to providing a positive workplace environment that nurtures trust and understanding, so that we can offer our customers the same.



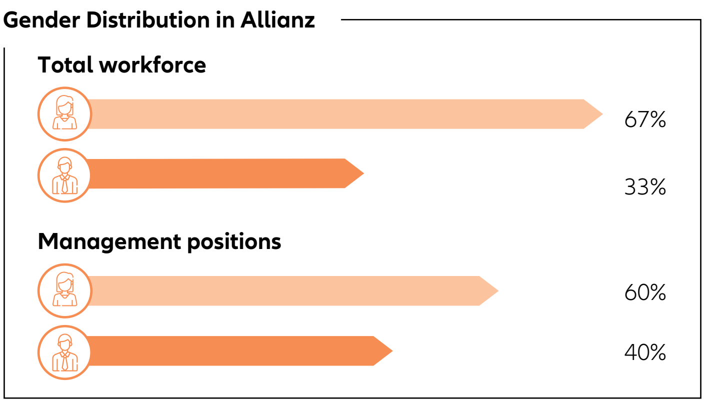


Diagram 10: Profile of Employees by Age and Gender

Inclusive Meritocracy

Our hiring and employee development policies reflect our principles of non-discrimination, where individuals are recognised based on their talent, experience, and behavioural attributes. As indicated in **Diagram 10**, our workforce represents diversity in age and gender. Furthermore, 60% of managers within Allianz are women. This diversity is similarly reflected in our Board of Directors, where half of its members are below the age of fifty, and 33% are female. Moreover, the Board is currently chaired by our first woman chairperson. We continue to support the inclusion of Persons with Disabilities ("PWDs") into our workforce, and have 24 PWDs working in our head office in 2019, including in our contact centre, where assistive equipment is provided to cater to their needs.

The annual AES gathers feedback from our employees to gauge their perspective on Allianz's performance as an employer and a workplace. The Inclusive Meritocracy Index ("IMIX") measures our progress towards our Renewal Agenda aspiration of Inclusive Meritocracy, a culture where people and performance matter. In 2019, we achieved an IMIX result of 83%, a slight improvement over previous years, as illustrated in **Diagram 11**.

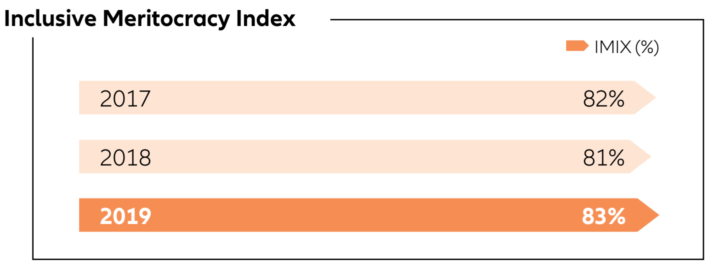


Diagram 11: Inclusive Meritocracy Index

Inclusive Meritocracy is embedded in the way that we recognise performance, where a clear set of target behaviours including Customer and Market Excellence, Collaborative Leadership, Entrepreneurship, and Trust form part of each employee's evaluation. We believe that regular and open communication builds trust and drives a high performance culture. In addition to mid-year and year-end performance reviews, employees are encouraged to have regular one-to-one feedback sessions with their colleagues. Through our multi-rater feedback system, key managers receive feedback from their direct reports, peers from other departments and functions, as well as their own managers, ensuring that input is balanced and holistic.

Employee Health, Safety, and Well-being

The Organisational Safety and Health Act ("OSHA") Committee oversees the safety and wellbeing of all our employees in our head office and branches. The OSHA committee organises annual Fire Safety and Emergency trainings for our fire wardens at our locations nationwide. This ensures that assigned wardens are well equipped with the necessary skills in the face of an emergency. The Allianz

Standard for Protection and Resilience, discussed in the **Cyber Risk** section, includes personnel safety as one of its core objectives. This gives high priority to the physical and mental integrity of employees at the workplace. As such, workplace violence shall not be tolerated and shall be addressed or defused at the earliest opportunity. Disaster simulations are conducted biannually to ensure that employees are familiar with disaster recovery procedures, and regular training and briefing sessions ensure that our Senior Management and Branch Managers are apprised of the latest in risk management best practice.

The Work-Well Index ("WWi") dimension of our AES measures the work-related stress level of our employees. 2019 saw a slight improvement over the 2018 result, recording 75% compared to 74% in the previous year, as shown in **Diagram 12**.

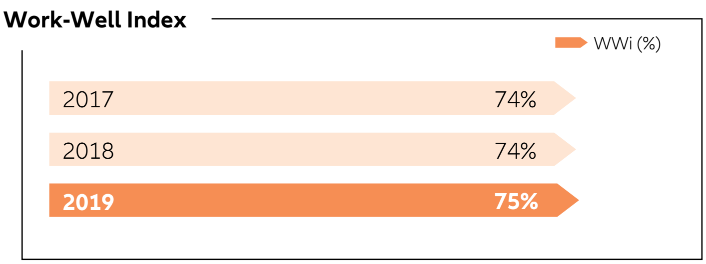


Diagram 12: Work-Well Index

In efforts to improve our employees' health and wellbeing, we have embarked on a number of partnerships related to physical and mental health. This includes our partnership with DoctorOnCall to provide medical consultation via text chat, phone call, or video call. Following consultation, employees can obtain prescriptions, medical referrals, and nationwide medication delivery. During the year, a health camp was conducted by DoctorOnCall at our head office, offering basic health screenings while teaching attendees how to register for their services. We have also partnered with SOLS Health to provide mental health consultation services by clinical psychologists to employees. Under this partnership, SOLS Health creates awareness of mental wellness and equips managers to recognise symptoms of poor mental health amongst employees.

Fostering a Welcoming Work Culture

We continue to adapt to changing workplace mores and working styles, and have a number of initiatives under our WorkWell programme. This includes Flexible Work Arrangements such as FlexiHours and the option to Work from Home, which facilitates work-life balance and accommodates our employees' varying circumstances. During this year's instalment of our annual Health & Wellness Day, designed to remind employees about the importance of self-care, employees could register for ten-minute massage services provided by the Malaysian Association for the Blind, take part in basic health screenings including eye checks, and receive on-the-spot medical advice from representatives from DoctorOnCall. Other initiatives to foster a welcoming work environment include our optional Corporate Casual dress code, regularly organised sports and recreational activities, and celebration of annual international events, amongst others.

Our corporate responsibility activities are an avenue for employees to collaborate in a meaningful activity beyond work while contributing to the community and at the same time supporting their emotional growth. 57% of our employees were engaged in corporate volunteering activities in 2019, contributing a total of 5,345 hours. More information on our corporate responsibility activities can be found in the **Community Development** section of the report.

Masseuses from the Malaysian Association for the Blind gave ten-minute massages to help relax our employees on Health & Wellness Day

Responsible Corporate Citizen

INTEGRATING SUSTAINABILITY

The distinction between financial and non-financial risks - the latter previously considered to be more related to Environment, Social and Governance ("ESG") topics - is blurring as lack of management of non-financial risks may result in financial impact. This is reflective of the increasing interconnectivity of risks and opportunities that exist within the system that we operate in. Our efforts at integrating sustainability attempt to balance these considerations while fulfilling our core business purpose and service promise to our customers.

Considering ESG Impacts

Our investment and insurance decisions are scrutinised from an ESG perspective to ensure that we are continuously apprised of risks and opportunities that may impact our business and our stakeholders. The Allianz ESG Integration Framework serves as a transparent and robust guideline for ESG integration into our business processes.

The Allianz Standard for Reputational Risks and Issues Management ("ASRRIM"), which is the foundation of the overarching ESG approach across Allianz Group, sets out thirteen sensitive business areas which may present ESG and reputational risks. The Allianz Standard for Underwriting and the Allianz ESG Functional Rule for Investments guide our approach to ESG integration, and determine when insurance and investment decisions trigger the ESG Referral Process depicted in **Diagram 13**.

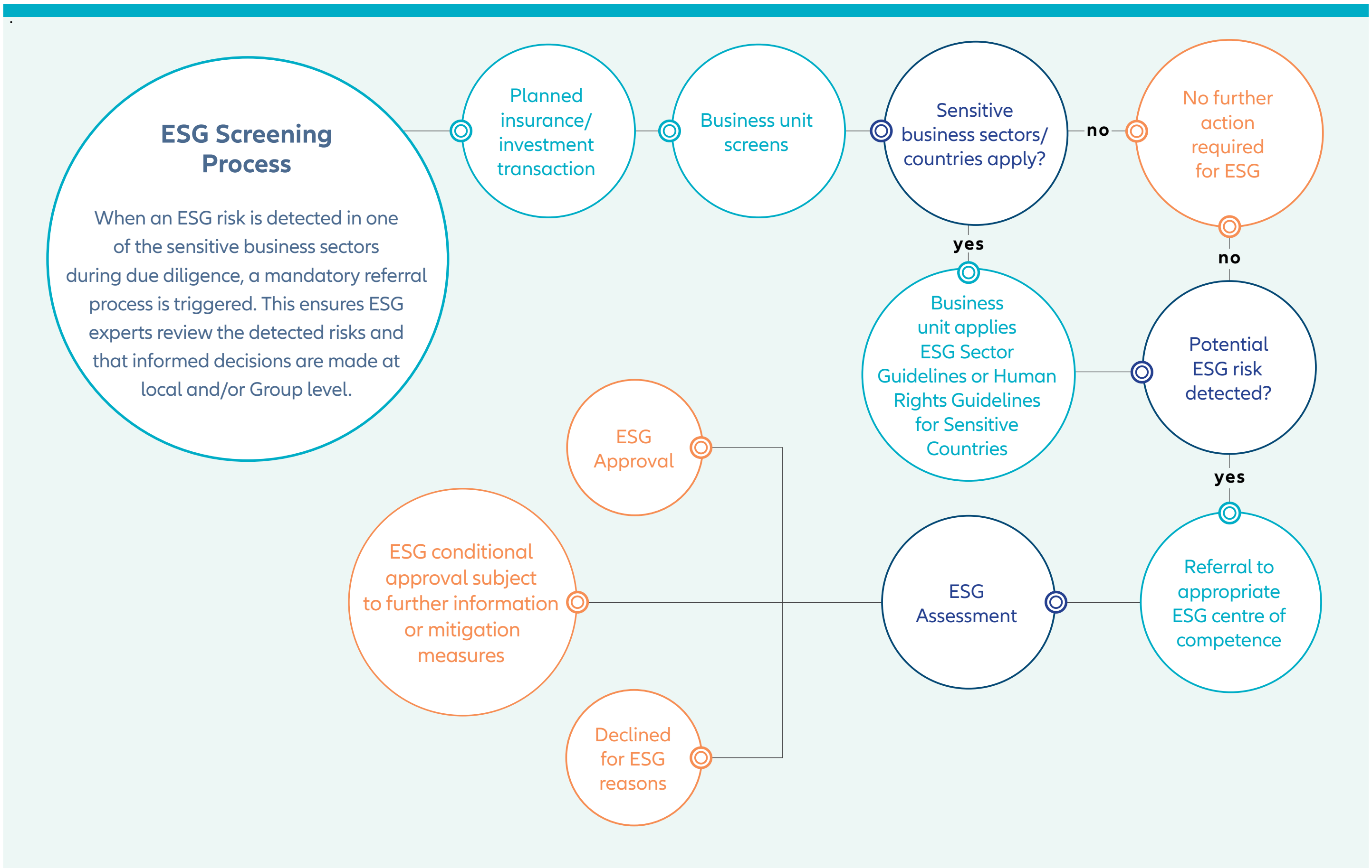


Diagram 13: ESG Referral Process

ESG in our Investments

When considering potential investments into listed assets, an ESG Scoring Process is used to systematically evaluate and manage material ESG risks. We refer to ESG rating reports generated by an independent data provider, MSCI ESG Research. Investments into assets that do not meet a specified rating threshold are generally avoided. For investments into non-listed companies, should the asset relate to a sensitive business area, an ESG Sector Checklist specific to that area must be completed to investigate whether the risks are sufficiently managed and if not, the decision will also be subject to the ESG Referral Process.

In support of a transition to a low-carbon economy, Allianz Group stopped financing predominantly coal-based business models in 2016, defined as businesses that derive more than 30% of their revenue from coal. We continue to restrict our investments in this area and make efforts to pursue investments in the emerging renewable energy sector where viable, in line with the long-term targets of Allianz Group and our national aspiration to increase the country's renewable energy generation to 20% by 2025. Our approach to ESG considerations within our investment decisions demonstrates our commitment to upholding the United Nations-backed Principles for Responsible Investment ("PRI"), of which Allianz Group is a signatory.

ESG in our Underwriting

Insurance decisions that concern the thirteen sensitive business areas set out in the ASRRIM will trigger the ESG Referral Process outlined above. In line with our stance on reducing our carbon investments, we do not underwrite single-site coal-fired producers. We also welcome the government's move to make mandatory the adoption of Malaysian Sustainable Palm Oil ("MSPO") certification at the end of 2019, which raises the standard of environmental stewardship in this sector. Our approach with ESG risk is to review transactions on a case-by-case basis to enable detailed assessment and the opportunity to identify possible mitigation measures. In 2019, twenty cases were escalated for triggering ESG screening criteria, and after further investigation, one of them was declined.

This ESG Referral Process ensures that we are holistically evaluating investment and insurance risks at both a local and global level, and that we fully consider the ESG impact from our decisions, beyond financial metrics. This approach places emphasis on the long-term stability of our investment and business returns, and ensures resilience against current and emerging risks.

Sustainable Solutions

Allianz Group has created a category of products termed 'Sustainable Solutions' which are solutions deemed to contribute positively to the environment and to society. Under this programme, products and services from operating entities undergo a strict assessment process where they are scored against six environmental and social dimensions before being approved and categorised as a Sustainable Solution. This includes promoting climate-positive technology, preventing or mitigating negative environmental impact, managing climate risk, facilitating social empowerment, serving underserved groups, and raising awareness for social issues. The data provided through this process is externally assured at Allianz Group level. Locally, Allianz has six Sustainable Solutions which are listed in **Table 7** below.

Table 7: Sustainable Solutions offered by Allianz

SolarPro All Risk PV Insurance	Comprehensive protection scheme covering loss or damage to solar photovoltaic systems
Allianz Ability Life	An affordable life insurance plan with guaranteed yearly renewability, designed for Persons with Disabilities
Allianz Kampungku	Affordably-priced coverage for wooden 'kampung' houses against fire, flood, and windstorm risks for mostly rural communities. Policyholders can also claim an Emergency Relief Benefit immediately following a loss
Allianz Kasih Hayat	Life insurance plan with guaranteed renewability catered to low income consumers under BNM's 'Perlindungan Tenang' initiative
BIMA Life	Life assurance product with guaranteed renewability catered to the B40 income bracket and distributed via mobile
Motorcycle Plus	Allianz Motorcycle Plus covers motorcycles against liabilities to other parties for death or bodily injuries, damages to other parties' properties, accidental or fire damages, and theft

RESPONSIBLE CORPORATE CITIZEN

Supporting Solar Energy

SolarPro All Risk PV Insurance ("SolarPro") is Malaysia's first comprehensive insurance protection scheme that is catered for home, commercial, and industrial solar photovoltaic ("PV") systems. It covers loss or damage to solar PV systems due to various causes. Through this product, Allianz supports Malaysia's transition towards increasing renewable energy generation as it provides peace of mind to residential and commercial solar PV owners by addressing the potentially high costs of damage to the system.

Since launching SolarPro in 2018, together with our agency partner Anora Agency Sdn Bhd, we have signed a number of Memorandums of Understanding with players in the solar industry. This includes Pekat Solar Sdn Bhd - one of the country's leading solar PV installers, and Solarvest Holdings Bhd - a large scale solar farm. Allianz underwriters are able to tailor solutions to suit solar owners' needs, and this approach has established Allianz as a leading solar insurer in the market.

Allianz builds partnerships with players in the solar industry, offering insurance solutions in support of the growing renewable energy market

Accessible Solutions for Emerging Consumers

Through our Sustainable Solutions, we aim to increase accessibility of our products and services, and to help bridge the insurance protection gap in our country. The government has an aspiration of insurance coverage for 75% of Malaysians, and BNM's affordable insurance scheme - 'Perlindungan Tenang' - is just one means of achieving that. Under 'Perlindungan Tenang', products are currently exempted from stamp duty to make them more accessible to the B40 consumer segment, defined as consumers with a monthly household income below RM4,000. Three of our Sustainable Solutions - Allianz Kampungku, Allianz Kasih Hayat, and BIMA Life - are part of this scheme. BIMA Life is a microinsurance sold via mobile, a new distribution channel for us to reach out to the B40 group, in the hopes of improving our reach to this segment through easy enrolment and an easy premium payment mechanism.

Allianz Kampungku also saw an increase in up-take in 2019 as we began marketing it via our distribution partner, POS Malaysia. In December 2019, we signed on to be POS Malaysia's preferred partners, widening our distribution channel to POS Malaysia's 700 offices nationwide. We have been involved in their Hari Bersama Pelanggan (Customer Day) events with the aim of raising brand awareness amongst POS Malaysia customers. During these events, we conduct basic health screenings such as Body Mass Index checks and advocate the importance of insurance protection. Access to this network allows us to develop innovative insurance products, such as utility and parcel insurance, that are simple and affordable, and can expose the previously uninsured to the benefits of insurance protection. In efforts to increase insurance penetration, we also offered free Personal Accident insurance via our partner Touch 'n Go eWallet as a means of exposing their customers to the Allianz brand. This is discussed further in the **Business Innovation** section.

RESPONSIBLE CORPORATE CITIZEN

The Allianz Explorer Truck offers Body Mass Index checks as part of POS Malaysia's Hari Bersama Pelanggan (Customer Day)

Building Safety into Our Offerings

According to Jabatan Keselamatan Jalan Raya ("JKJR")'s Road Safety statistics[9], motorcyclists make up close to 46% of the country's road users. Unfortunately, they also make up the highest proportion of road fatalities. Allianz's Motorcycle Plus product provides affordable cover for motorcycles below 245cc. In 2019, coverage under this product was increased to include accident cover and hospital income, providing added protection to the rider without any increase in premium. We have also modified our Allianz Shield product to increase coverage of policyholders in the case of motor vehicle accidents, including cover for pedestrians or passengers involved. This supplements our efforts in advocating road safety, part of which we believe includes being financially protected while on the road. More information on our efforts to promote road safety can be found in the **Community Development** section.

"Products and services should not just be curated and packaged to build brand affinity, they should also be thoughtful and serve a larger purpose of providing protection and serving the customer's needs. With Allianz Motorcycle Plus, we want to reach out to the masses. We want to offer the millions of motorcycle owners out there, an affordable product with the best protection and the best coverage that money can buy."

Zakri Khir
CEO Allianz and Allianz General

[9] http://www.jkjr.gov.my/ms/muat-turun/func-startdown/141/lang,ms-my/

Responsible Corporate Citizen

ENVIRONMENTAL MANAGEMENT

Environmental management has become a greater concern in recent years with increasing awareness of environmental degradation and its impacts. Enacted in 2018, China's National Sword Policy restricting imports of plastic waste brought to light the flawed global system of plastic recycling, and Malaysia earned the unwelcome title of the world's dumping ground for plastic waste. Undoubtedly, the voices of young people around the world in the Fridays for Future movement also served as a wake-up call to parents and families. It is important that we integrate carbon reduction efforts within our operations and throughout our business in support of responsible environmental stewardship.

Bringing Global Topics to a Local Context

We believe that we cannot speak about environmental management without also bringing up climate change and this is reflected in the close ranking of both topics in our materiality matrix. As described in the **Regulatory Change** section, BNM has issued a discussion paper related to financial institutions' management of climate change risk and our CEO, Zakri Khir, is one of a select group of industry leaders that has been invited to join BNM's Joint Committee on Climate Change to offer advice and guidance.

"Climate change generates enormous economic and social risks. It is already harming millions of people today. As a leading insurer and investor, we want to promote the transition to a climate-friendly economy."

Oliver Bäte, CEO Allianz Group

Our role as an insurer, investor, business, and employer gives us substantial room to shape a low-carbon future. At a global level, Allianz Group has made numerous commitments in support of the 2015 Paris Agreement target to limit global warming to well below 2°C. This includes joining the RE100 initiative, led by The Climate Group, that commits us to sourcing 100% of our global electricity needs from renewable sources by no later than 2023. Allianz Group, together with other investors, also initiated the United Nation's-convened Net-Zero Asset Owner Alliance. Together, some of the world's largest pension funds and insurers committed to having carbon-neutral investment portfolios by 2050, in a bid to decarbonise the global economy.

Managing our Carbon Footprint

Locally, Allianz supports Allianz Group's commitments by monitoring and also taking steps to reduce our carbon emissions. Allianz's Local Environment Officer ("LEO") works together with the Group's Global Environment Team and the Allianz4Good team to monitor the Company's emissions (water, energy, and waste) with the aim of improving our efficiency and reducing our carbon footprint. We report our efforts utilising the Group-wide Environmental Management System ("EMS"). The current scope of the EMS includes energy used to operate buildings and IT equipment, business travel by air, car, and train, paper usage, water and waste. Our emissions allocation is indicated in **Diagram 14**.

Allocation of CO_2 Emissions in 2019

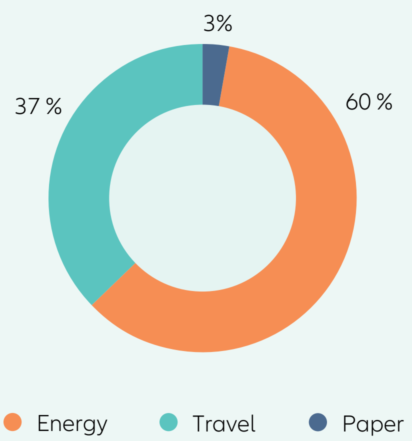


Diagram 14: Allocation of CO_2 Emissions in 2019

RESPONSIBLE CORPORATE CITIZEN

In 2019, we recorded a 9.6% reduction in CO_2 emissions (kg) per employee against a 2010 benchmark, illustrated in **Diagram 15**. We continue our efforts to improve our data collection scope to ensure that we have a holistic picture of our CO_2 emissions, and have had to restate our 2018 data to account for this. We acknowledge that we need to improve our performance in this area, thus we are reviewing our strategy and approach to the topic.

CO_2 Emissions (kg) per Employee

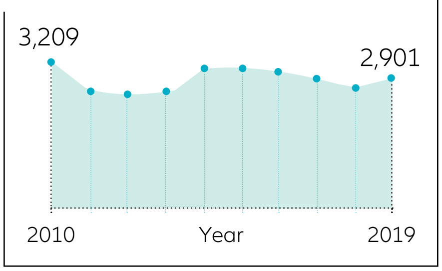


Diagram 15: CO_2 Emissions (kg) per Employee

Sustainable Energy Consumption

In order to strengthen our environmental management approach, we engaged the Wild Asia Foundation in 2018 to conduct a two-year long energy audit of our head office. Of the 17 recommendations made to enhance our energy efficiency, we have implemented 16, which include physical and behavioural modifications. We have also engaged employees across our head office as liaisons, who help to promote energy efficient behaviour in their respective departments. These initiatives have resulted in a reduction of 7.4% energy usage for areas within the project scope in comparison to a similar period before implementation of the recommendations. We hope that such improvements can be adopted at our buildings nationwide in support of our CO_2 reduction targets, to continue our decreasing trend in overall energy usage as illustrated in **Diagram 16**.

Energy Consumption (kWh)

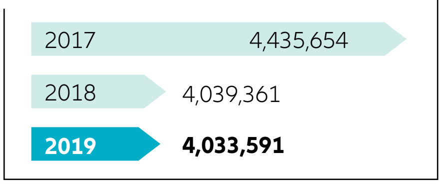


Diagram 16 : Energy Consumption (kWh)

Water and Paper Consumption

We marked an increase in water and paper consumption in 2019, the former due to local water disruption, internal pipe leaking issues, as well as renovation works, while the latter was due to an increased demand for printed forms and brochures from our partnership with POS Malaysia and launch of new products. In efforts to improve our data collection, we restated the paper usage data from 2018 to account for certain outsourced printing sources that were previously out of scope. We note a decrease in paper usage amongst our employees, which indicates to us that our initiatives to digitalise processes - described in the **Technological Innovation** section, and promote environmental awareness - described in the **Community Development** section, have reaped results. The data for our water consumption and paper usage are illustrated in **Diagram 17** and **Diagram 18** respectively.

Water Consumption (m^3)

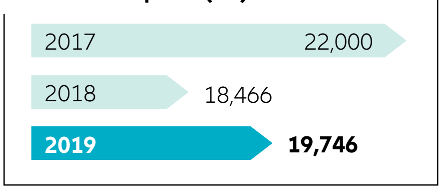


Diagram 17: Water Consumption (m^3)

Paper Usage (kg)

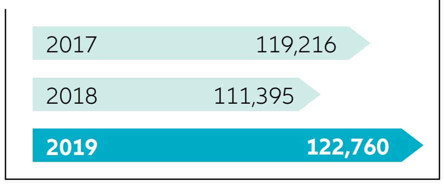


Diagram 18: Paper Usage (kg)

Sustainable Waste Management

In 2019, we recorded a total of 17,872kg of paper recycled across our locations nationwide, a steady reduction from 2017, as illustrated in **Diagram 19**. While our overall paper usage has increased due to the expanded accounting scope that includes outsourced printed brochures, there has been a decrease in internal paper used by our employees, which affects the amount of paper recycled. We are unable to track the recycling rate of brochures and other printed materials delivered to external parties.

Recycled paper (kg)

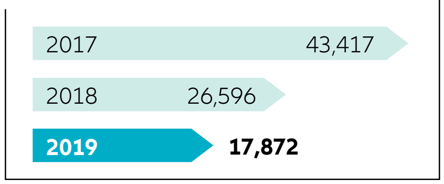


Diagram 19: Recycled Paper (kg)

At our head office, we have an e-waste bin to ensure the safe and sustainable disposal of electronic-related material as well as a collection bin for unwanted old clothes, handbags, linens, and others. The latter is in partnership with the social enterprise, KLOTH Malaysia, which collects and manages the items for upcycling and recycling. A total of 349.8kg of such items were collected at our head office to be directed to KLOTH Malaysia in 2019.

RESPONSIBLE CORPORATE CITIZEN

Sustainable Mobility

Since 2016, we have had three electric vehicles as part of our Company Vehicle Fleet, which employees in the Klang Valley can use for business purposes, aside from also serving as a form of brand awareness-raising. These vehicles enable cost and energy efficient transport as they can each travel a distance of 180km on a single charge. In total, the three vehicles travelled 10,335km in 2019, which is equivalent to avoiding 2,398kg of CO_2 emissions and saving RM1,494 in fuel cost. This is comparable to the amount of CO_2 sequestered by 62 trees in the span of 10 years.

Since we began using the three electric vehicles, we have avoided CO_2 emissions equivalent to the amount sequestered by **302** trees over the span of **10** years.

Through our internal travel policy, we encourage our employees to take the most carbon-efficient option available to them. We also try to reduce the need for travel by promoting the use of audio, web or video-conferencing facilities instead. 2019 saw a 14.2% increase in audio conferencing requests, but also a 15.5% increase in short-haul air travel. The latter is attributed to the increased number of trainings for employees as we rolled out business transformation efforts as detailed in the **Business Innovation** section. This is illustrated in **Diagram 20** below.

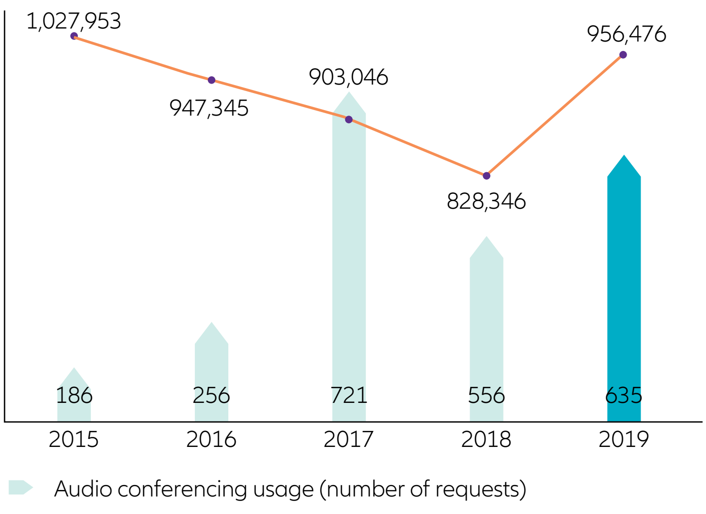


Diagram 20: Audio Conference Usage and Short-haul Business Travel by Air

Promoting the Adoption of Solar Energy

Another area in which we are actively supporting the transition to a low-carbon economy is through promoting the adoption of solar energy. We do this by tailoring our insurance offerings to offer protection for the solar industry, such as through our SolarPro All Risk PV insurance product for commercial and residential solar PV owners. More information on this solution can be found in the **Integrating Sustainability** section.

In 2019, we conducted a review of our Klang Valley branches to identify office premises that are suitable for installation of solar panels. Taking into account building ownership, tenancy, and site suitability, one building has been identified, and we are looking forward to welcoming our first office partly powered by solar energy, taking us one step closer to our RE100 aspiration. At the same time, we are also promoting renewable energy amongst our community projects as we see the double benefit of carbon emissions reduction and cost reduction for the beneficiary organisation.

We funded the installation of a 7 kilowatt Grid Tied Solar PV System for the Selangor and Federal Territory Association for the Mentally Handicapped ("SAMH"). The panels were installed by SOLS Energy, a social enterprise that provides opportunities to youths from underprivileged and indigenous backgrounds from the SOLS Academy of Innovation ("SOLS.ai") to become Sustainable Environment Development Authority ("SEDA") certified technicians. We aim to break the cycle of poverty while helping them benefit from the move towards a low-carbon economy. More information on SAMH and SOLS.ai can be found in the **Community Development** section.

SAMH is able to reduce their operational costs by generating their own energy through the Grid Tied Solar System

We recognise the importance of environmental stewardship and the risks associated with not addressing climate change, but find that amidst other national concerns, this topic is not given the priority it needs in Malaysia. Moving forward, we will increase our initiatives to address climate change, both within our own operations as well as through our sphere of influence.

Responsible Corporate Citizen

COMMUNITY DEVELOPMENT

Although Community Development was not ranked in Allianz's Top 10 Material Sustainability Matters, it is one of our main efforts towards sustainability. We believe that progress in other sustainability matters, particularly those related to the environment, are intrinsically tied to social improvement.

Strategic Corporate Responsibility

Allianz's efforts towards community development are managed by our corporate responsibility arm, Allianz4Good. Our corporate responsibility consists of strategic and sustainable philanthropy, as well as impact-driven engagements with our community partners and target beneficiaries. We also incorporate employee engagement into our volunteering opportunities, as we feel that this is an important element to promote employee development.

Through our initiatives, we drive social inclusion of underserved communities. The principle of insurance is about pooling the resources of the many to be used to indemnify those who have suffered a loss such that they can pick themselves up again. However, not everyone begins from the same starting point, which is why it is important that we equalise their opportunities – something that we view as an extension of our role as an insurer. In 2019, we reached out to over 16,780 beneficiaries as illustrated in **Diagram 21** below, with our volunteers contributing more than 5,300 hours to our corporate volunteering initiatives.

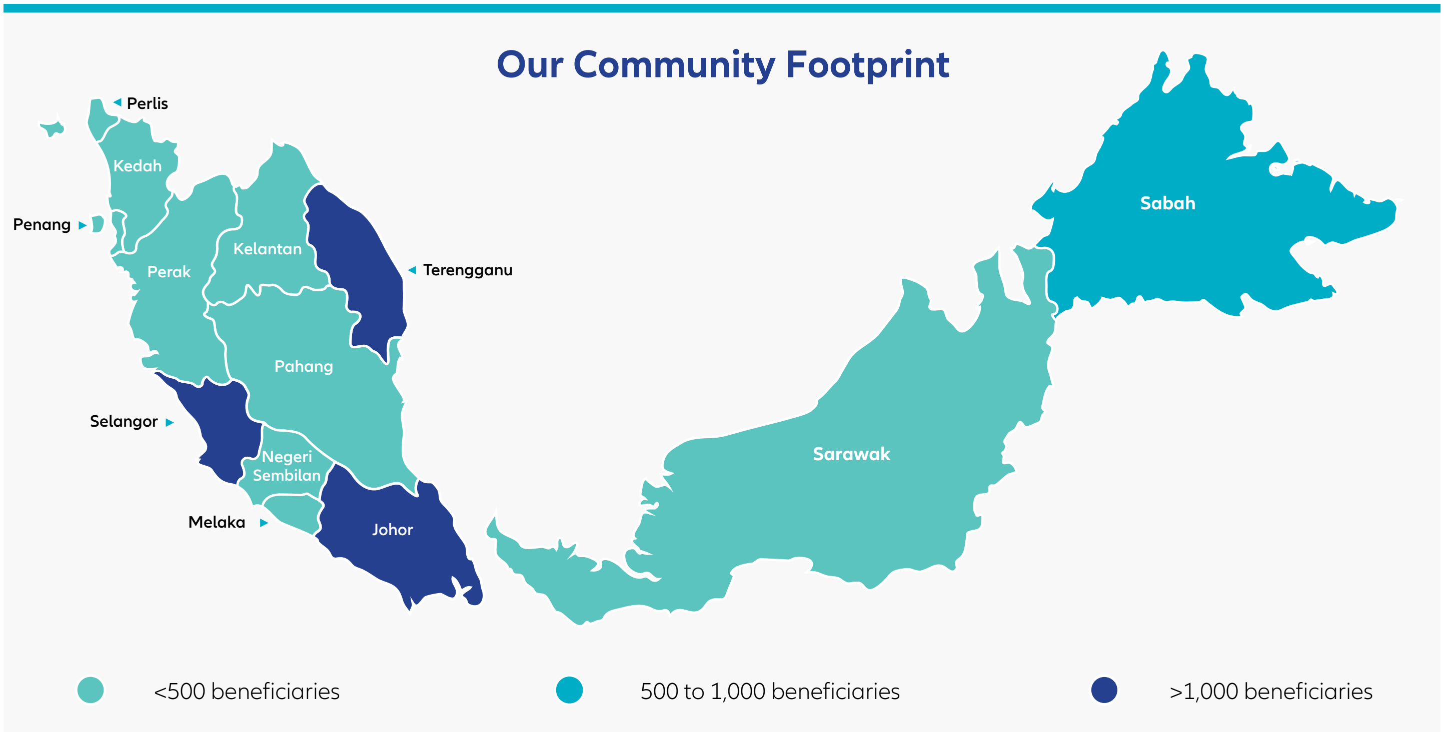


Diagram 21 : Our Community Footprint

RESPONSIBLE CORPORATE CITIZEN

Future Generations

Allianz Group drives social inclusion through the Encouraging Future Generations programme, which targets better opportunities in training, education, and employability for young people worldwide. As part of this programme, Allianz entities are invited to apply for funding for projects together with non-profit organisations via the Allianz Social Innovation Fund, with emphasis given to projects that can demonstrate educational impact on young people, equipping them with livelihood skills that will lead to employment opportunities, as well as an element of Allianz support involving employee volunteers contributing their time and expertise.

We are proud to have successfully secured a €20,000 fund for partner organisation Gem & Bread Special Needs Support Group Kuala Lumpur and Selangor ("Gem & Bread") in the 2019 call for proposals to fund the development of their K-ARTS Programme toolkit. The toolkit aims to empower and equip job training centres and other employment entities with the necessary knowledge and tools to create a conducive and inclusive environment for youths with special needs at their workplace, and to encourage job training centres to further enhance the social skills development of youths with special needs, on top of job training, through the medium of creative arts. The project commences in 2020 and will incorporate elements of employee engagement, culminating in work experience for Gem & Bread beneficiaries in Allianz.

We are also continuing our support for SOLS 24/7, recipient of grant funding from the Social Innovation Fund in 2017, beyond the original 18-month SOLS.ai programme that they received funding for. SOLS 24/7 is a humanitarian organisation that is committed to serve, educate, and empower poor and underserved communities through their various education and social empowerment programmes. More information on the SOLS.ai project can be found under the **Community** and **Environment** pillars in this section.

Allianz4Good Pillars

In order to strategically direct our resources to achieve meaningful and sustainable impact, we have identified and focus on delivering in five core areas of corporate responsibility. These five areas have been chosen to capitalise on our expertise and knowledge as risk managers, as well as leverage on our branch, employee, and agent network. We understand the importance of collaboration in affecting broader societal change, and thus partner with various organisations in the delivery of our programmes.

The objectives of each pillar are presented in **Diagram 22**, while three-year targets and indicators for each pillar are set out in their respective sections that follow:

Pillar Objectives

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 the resilience of vulnerable communities in disaster-prone areas	To embed environmental considerations into the Company and promote environmental stewardship in the community	To serve underserved/ marginalised communities

Diagram 22: Five Pillars of Allianz's Corporate Responsibility Initiatives

RESPONSIBLE CORPORATE CITIZEN

PILLAR - 1 2 3 4 5 .... SAFETY

2018 to 2020

Three-year Targets	Indicators
1. To increase road safety outreach in more areas 2. To develop effective road safety awareness among children 3. To encourage awareness on risks of mobile distraction	1. Number of Road Safety Awareness Campaigns rolled out 2. Number of Road Safety Education Programmes conducted 3. Collaboration with road safety agencies to conduct behavioural studies 4. Development of an effective impact analysis mechanism

Road Safety Awareness Campaigns

We have partnered with Jabatan Keselamatan Jalan Raya ("JKJR"), the local road safety department, since 2011 to advocate safe road behaviour both internally and externally. Our employee volunteers are trained as Road Safety Ambassadors who participate in Road Safety Advocacy Campaigns conducted together with JKJR. In 2019, we conducted 19 Road Safety Advocacy Campaigns where our Road Safety Ambassadors deliver road safety messages to the public and assist in distributing road safety items such as seatbelt shoulder pads, car safety hammers, reflective windbreakers, and motorcycle stickers made of visibility enhancing material. Motorcyclists may also exchange their old helmets for SIRIM-approved ones. These campaigns are held particularly around festive periods, as we recognise that this is a time when more Malaysians are travelling on the road and when risk of road fatalities tends to be higher. In 2019, over 7,400 road safety items were distributed.

Road Safety Education Programme

While we try to advocate road safety amongst current road users, we believe that good road behaviour is best inculcated at a young age. We continue to target our education efforts towards primary school-aged children through our Road Safety Education Programme.

The Road Safety Education Programme comes in two formats – one as an interactive road circuit and the other as a classroom-based lesson. In the former, children are guided through a miniature road scenario by Allianz Road Safety Ambassadors to learn how to safely cross at a zebra crossing, how to read traffic lights, the proper way to wear a helmet, and how to buckle a seatbelt, including whether or not they need to use a child seat. In the latter programme, children attend an employee-led hour-long classroom session which strengthens their understanding of road rules and proper road behaviour. At the end of both sessions, reflective wristbands and road safety tips booklets are distributed as a reminder to them to stay safe on the road. By targeting children, we hope that they will influence their own families to practice road safety. We reached 350 students through our Road Safety Education Programme in 2019.

Students learn safe road behaviour by completing an interactive road safety circuit while being guided by Allianz volunteers

RESPONSIBLE CORPORATE CITIZEN

PILLAR - 1 2 3 4 5 .... FINANCIAL LITERACY

2018 to 2020

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

Teacher Training for Financial Literacy

In 2018, we piloted our in-house Allianz Financial Literacy Programme - a teacher training programme that was developed as a sustainable alternative to volunteer-led financial literacy sessions. The programme supports BNM's goal of developing best practices for financial literacy in schools, as outlined in their National Strategy for Financial Literacy 2019-2023[10]. Together with EdSpace Projects, we developed and piloted the FinWise Kids module, which consists of a Teacher Guide, Participant Workbook, Teaching Aids, and other learning materials. Thirteen teachers from eight government schools in Kuala Lumpur and Kelantan as well as five educators from three NGOs were involved in the nine-month long programme which entailed attending a kick-off training session followed by the integration of key financial education topics into their extracurricular activities, and continuous impact measurement against pre-set milestones and indicators. At the end of the year, three schools completed all the milestones set out in the syllabus, earning themselves the award of a teaching aid of their choice. We take this first year as an important learning curve, and look to improve our approach towards increasing financial literacy amongst young people in Malaysia.

The Finwise Kids module encourages students to practice what they have learned in class through workbook activities

Global Money Week

Global Money Week is a global money awareness campaign led by Child & Youth Finance International ("CYFI"), a non-profit organisation based in Amsterdam that raises awareness on the importance of financial education and financial inclusion for children and youths. As part of our initiatives to encourage young people to become interested in and involved with money matters, we supported Global Money Week 2019, with the theme 'Learn.Save.Earn'. Allianz volunteers conducted a financial literacy class for 120 students and also planned an excursion to the BNM Museum and Art Gallery for 99 children and youth from Yayasan Chow Kit, Buku Jalanan Chow Kit, and Persatuan Kebajikan Harapan Selesa Kuala Lumpur dan Selangor. The children learned how to make banknotes when they visited the Children's Gallery and enjoyed the tours of the Art, Numismatic, Temporary, Economic, and Islamic Finance Galleries. Allianz has participated in Global Money Week for seven consecutive years since 2013.

99 children from three NGOs visited the BNM Museum and Art Gallery for Global Money Week 2019

10 https://www.fenetwork.my/wp-content/uploads/2019/07/National-Strategy-English.pdf

RESPONSIBLE CORPORATE CITIZEN

PILLAR - 1 2 3 4 5 ···· DISASTER RISK REDUCTION

2018 to 2020

Three-year Targets	Indicators
1. To form an effective employee volunteer team for relief efforts 2. To increase disaster preparedness of vulnerable communities	1. Number of volunteers trained 2. Number of training sessions 3. Number of disaster preparedness workshops conducted 4. Number of beneficiaries (approximate) 5. Feedback analysis on products catered toward vulnerable communities

Capacity-building for Vulnerable Communities

We engaged Malaysia International Search and Rescue ("MISAR") to conduct a fire safety and flood preparedness programme for residents of Sungai Lembing, Kuantan in the aftermath of a fire that razed and burnt down 33 structures. Over 140 residents attended the programme and learned about basic survival skills and preparedness knowledge regarding fire and flood disasters, raising their awareness on preventative measures as well. We continue to fund MISAR's relief efforts which are deployed immediately after a disaster event, donating funds towards the distribution of items such as hygiene kits, blankets, pillows, sanitary pads, baby diapers, slippers, towels, and food items to over 9,000 disaster-affected people from Sentul, Petaling Jaya, Kota Marudu, Hulu Besut, and Johor.

As part of the global Allianz family, we contributed towards a donation drive initiated by our colleagues in Indonesia in response to the earthquakes that struck Lombok and Sulawesi in 2019. The donation drive was organised to fund the construction of temporary shelters with toilets, to provide clean water facilities and deliver psychological trauma healing to the affected communities. A total of RM17,508.35 was raised from employees, agents and business partners during the donation drive, with a further RM12,000 topped up from Allianz. In total, RM29,508.35 was channelled to Yayasan Allianz Peduli, a foundation managed by Allianz Indonesia, and this has been directed to Habitat for Humanity for the construction of four temporary shelters housing four families.

Building Disaster Relief Capabilities

In 2018, Allianz endowed MISAR with a grant for the research and development of a disaster relief capsule prototype with upgraded improvements which can be rapidly deployed as a temporary relief shelter during disaster. This resulted in the development of an all-weatherproof amphibious compact capsule - the Capsule Relief Guard - which was showcased in December 2019. The capsule, which can be set up in under half an hour, is capable of supplying immediate relief to 120 people by providing them with basic food, shelter, and basic hygiene in the event of a disaster where they are unable to be evacuated. It also has a built-in solar-powered digital communication tool with internet connection. The communication tool can provide a live feed of the on-ground situation during disaster emergencies, which is valuable information as it will allow the relevant agencies and NGOs to develop an effective and efficient response. The capsule can be transported through any land terrain, floodwater, or even via airdrop, and helps to mitigate the impact of disaster on vulnerable communities.

The Capsule Relief Guard is a total solution to any disaster zone for immediate and effective relief aid support

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PILLAR - 1 2 3 4 5 ···· ENVIRONMENT

2018 to 2020

Three-year Targets	Indicators
1. To reduce the consumption of energy by 34% and paper by 40% 2. To implement a company-wide green guideline	1. EMS: Paper and Energy 2020 Targets 2. Energy audit

Under the Environment pillar, we promote environmental awareness primarily to our employees while also developing environmentally-related needs-based solutions for our community partners. Efforts related to managing our internal carbon footprint are elaborated on in the **Environmental Management** section.

Raising Awareness

Malaysia is a country with abundant biodiversity which is unfortunately not always given due respect. We want to raise public awareness of the importance of preserving our natural heritage and supported Project Monyet's 'Protecting Nature is Protecting Life' campaign. We sponsored two billboards located in the high-traffic areas of Masjid Jamek and Ampang Park LRT stations to attract commuters to share the message of protecting our primates and their habitats and encourage them to visit the Project Monyet photo exhibition. This was complemented by a Facebook campaign to drive interest in the project.

Allianz sponsored Project Monyet to raise awareness of the importance of preserving our natural heritage

Making positive changes that affect our environmental footprint is partly dependent on behaviour change. In order to drive this, we organise awareness talks for our employees. We engaged community partner Save Environment Save Ourselves ("SESO") to speak to employees about food waste and how they minimise this during their activities involving street communities. More information on how Allianz supports SESO can be found in the **Community** pillar.

In commemoration of Earth Day, we organised an eco-film screening that highlighted issues of over-consumption and waste management. A 'Plastic Free Talk' was also delivered by Mareena Yahya, co-founder of *Sampah-Menyampah*, an organisation dedicated to spreading sustainable ideas and concepts on living a zero-waste lifestyle. The Earth Day initiative was capped off with the distribution of a metal straw set to all employees to encourage them to say no to single-use straws.

We also organised a Recycling Day, with the participation of seven branch offices as well as our head office. The event in our head office saw contributions from Allianz employees as well as tenants of Menara NU2 and Menara Allianz Sentral. We invited recycling vendors that we have been working with to share knowledge on proper separation and recycling of items such as paper, cloth, metal, and electronic items, amongst others. Additionally, pre-loved working clothes in good condition were collected for the students of the SOLS.ai project, in preparation for the internship period of their education programme. More information on this initiative can be found in the **Community** pillar. Overall, through the Recycling Day initiative we managed to collect over 1,550kg of paper, 138kg of clothes and various electronic and aluminium items which would otherwise have ended up in landfill. One other way that we are reducing landfill waste is through the donation of used office tables and chairs that are still in good condition to NGOs and social enterprises that request them. In 2019, 24 tables were given out to four organisations.

1,550kg of paper, 138kg of clothes, and other miscellaneous recyclables were collected during Allianz Recycling Day

RESPONSIBLE CORPORATE CITIZEN

Developing Sustainable Solutions for our Beneficiaries

In recent years, we have worked to develop initiatives that cut across our corporate responsibility focus areas such that projects are able to produce multi-faceted impacts. This has been particularly so in the areas of Environment and Community, as we recognise that it is difficult for communities to be environmentally-conscious when they have more pressing welfare issues to attend to.

One such project is the installation of a 7 kilowatt Grid Tied Solar PV System for the Selangor and Federal Territory Association for the Mentally Handicapped ("SAMH"), as detailed in the **Environmental Management** section. SAMH is a non-profit organisation that provides education, training, and employment for intellectually challenged children and young adults under its care. Through the installation of the solar PV system, we hope to decrease their operational costs, thus providing economic relief while encouraging better environmental stewardship.

Our support for SOLS.ai is another way that we marry the two focus areas of Environment and Community. SOLS.ai improves the employment opportunities of their graduates by offering them training in the emerging industries of solar PV installation and hardware refurbishment, amongst others, such that graduates from the programme are certified by SEDA and Jabatan Pembangunan Kemahiran (Department of Skills Development) respectively. Apart from receiving a quality education, these youths support Malaysia's green agenda by working in fields that promote the adoption of solar energy and the management of electronic waste. More information on SOLS.ai can be found in the **Community** pillar.

In conjunction with World Cleanup Day, our employee volunteers organised cleanup activities as part of the wider Allianz For Good Initiatives. More details can be found in the **Community** pillar in the following pages.

Solar technology is one of the modules taught in SOLS.ai where Allianz supports 33 students in their 2019/2020 cohort

RESPONSIBLE CORPORATE CITIZEN

PILLAR - 1 2 3 4 5 .... COMMUNITY

2018 to 2020

Three-year Targets	Indicators
1. Increase public awareness of products available to PWDs	1. Number of workshops/awareness campaigns conducted
2. To develop capacity-building for NGOs	2. Number of outreach & initiatives
3. To increase employee volunteering opportunities	3. Feedback analysis on capacity-building initiatives
4. To improve the outreach of our community initiatives	

Our Community initiatives revolve around the topic of social inclusion, focusing on groups and communities that we identify as marginalised and underserved. Our corporate responsibility initiatives under this pillar include the provision of immediate needs to support daily welfare as well as long-term capacity building efforts.

Supporting Social Organisations

We have gradually increased our support for social enterprises in recent years, focusing on opportunities for continuous engagement. Since 2018, we have revised our procurement policy at head office level such that all our catering needs are fulfilled by social enterprises, one of which is Social Impact Fund 2017 recipient PichaEats (formerly known as Picha Project). In 2019, RM 272,036 was channelled to seven NGOs and social enterprises purely through corporate catering. We have also engaged social enterprises to sell their products at our festive bazaars, organised around Hari Raya and Christmas in 2019. This gives them an opportunity to raise funds while exposing employees and other tenants of our office buildings to their respective causes. Additionally, we collaborated with SAMH to feature student drawings on our merchandise to customers, and with Havan – a social enterprise working with shelter-home children – to give out bags featuring the children's artwork as door gifts at our event. This gives them a source of income while showcasing their work to a wider audience.

SAMH student drawings were featured on our cards sent out to customers

One way that we aim to multiply our impact on underserved communities is by empowering the organisations that work with them. We are collaborating with Ashoka, a global network of social entrepreneurs pursuing system-change solutions to address social and societal issues, to deliver a Capacity Building Programme to NGOs and social enterprises. Four selected organisations are participating in this programme, with the aim of developing their organisational capacity and support planning for their long-term sustainability. Information on these four organisations can be found in **Table 8**. Part of the programme involves the assignment of two employee mentors from our pool of high potential talents to each organisation, to encourage and guide them through their journey. The learning from this inaugural programme will help us improve our approach to help the helpers, and is a springboard to identifying more ways that we can support their development in future.

Table 8: Organisations involved in Capacity-Building Programme

Organisation	Target Beneficiaries	Services	Programme Objectives
Gem & Bread	Special needs youth and adults	Educate special needs youth and adults with practical, social, and life skills through various interactive and personal development programmes	Create more awareness on their education programme and its impact towards special needs youth and adults in order to attract donors and garner support from job training centres
Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI")	Wheelchair users in the Klang Valley	Affordable transport for wheelchair users and their caregivers, especially those seeking medical care	Explore strategic partnerships and innovate their approach to fundraising/ crowdfunding
Havan	Shelter-home children	Empower shelter-home children through fashion and programmes focusing on emotional intelligence ("EQ")	Develop customised corporate social responsibility initiatives that appeal to corporations for additional revenue generation that will help fund their programmes
DeliCCia	Urban poor housewives and single mothers	Offer food catering and delivery services prepared by urban poor housewives and single mothers, enabling them to be financially independent	Assess their operational structure and financial standings to ensure that they are running on a sustainable business model with sufficient manpower to support the organisation's growth

Working for Inclusion of PWDs

We continue our long-term support for Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI"), which provides transportation services for wheelchair users in the Klang Valley, especially those seeking medical services. Apart from engaging them in our Capacity Building Programme described above, we sponsored the operational costs, including comprehensive motor insurance and our Enhanced Road Warrior service, for four of their vans, as well as the fuel, maintenance, toll costs, and staff salaries. In 2019 alone, MOBILITI served 2,278 passengers across 8,725 trips.

We further promoted the mobility of PWDs through our donation of a van to Pertubuhan Pemulihan Dalam Komuniti Kg. Kenanga Rawang ("PDK Rawang") to address its transportation needs ferrying students to and from their centre. PDK Rawang provides vocational training for PWDs from underserved families. At present, PDK Rawang has 76 registered PWD students, and provides early intervention programmes for those aged 4-6 years and physiotherapy for PWDs with cerebral palsy. Young adults at the centre help with daily chores and also make *Rempeyek* crackers - a common Malay delicacy - to generate income.

RESPONSIBLE CORPORATE CITIZEN

We are also proud to continue our sponsorship for the Malaysian Council for Rehabilitation, which is supporting the preparation of the Malaysian contingent to the 10th International Abilympics, a skills-based competition for PWDs shaped around five professional categories: Service, Information Technology, Industry, Craft, and Food, which is further split into 48 different skills. The 15 competitors that have been selected to represent Malaysia will be preparing throughout 2020, as the 10th International Abilympics, initially scheduled for this year, has been postponed until 2021. We are proud to count one of our own employees as a future Abilympian after qualifying for the photography category, and look forward to cheering our Malaysian competitors on.

Allianz Malaysia donated a van to PDK Rawang to address its transportation needs ferrying PWD students to and from their homes

2019 marks the fifth year that Allianz has sponsored the Allianz Pacesetters 4x3km run that raises funds for the Kiwanis Down Syndrome Foundation through its Kiwanis Pace-It-Forward corporate category, where corporates are required to pay a minimum donation of RM1,000 per team. The run attracted 198 teams, of which 28 were corporate, thus raising RM28,000 for persons with Down Syndrome. We have also embedded social inclusion into our Allianz Pacer Run, further detailed in **Running for a Healthier Lifestyle** in the following pages.

Volunteering at Allianz

We believe that corporate volunteering helps to develop our employees and also builds empathy - a skill important for us in the insurance industry - as we serve customers in their moment of need. One way that we support this personal growth is through the organisation of regular volunteering opportunities, such as our support for SESO's Soup Kitchen sessions. In 2019, we donated RM7,000 to SESO to support their soup kitchen activities, while 40 employees volunteered 180 hours to serve members of the street community. Volunteers also performed and sang songs in order to provide some cheer over mealtime.

2019 also saw the launch of the inaugural Allianz For Good Initiatives, aimed at encouraging employees to give back to society through their choice of social or environmental related initiatives. Close to 1,000 employees organised and carried out activities in teams, dedicating over 3,400 hours to reach 24 beneficiary organisations. This includes a shelter home, elephant conservation centre, and street community, just to name a few. Employee volunteers also cleaned up eight public places, including beaches and parks, in conjunction with World Cleanup Day as part of the initiatives. The Allianz For Good Initiatives concluded with a Facebook contest asking members of the public to vote for their favourite photo and caption, reaching almost 100,000 users and garnering 6,700 reactions throughout the six days of the contest. The winning photo features as the cover of this Sustainability Report. The enthusiasm of employees and the public for the Allianz For Good Initiatives encourages us to make this a regular event in future.

Employees conducted a beach cleaning activity at Pantai Kelanang, Banting in conjunction with World Cleanup Day and as part of the Allianz For Good Initiative

Allianz For Good Initiatives was inspired in no small part by the Allianz Charity Day organised by Allianz Life agents. In what is now an annual tradition, over 2,000 Allianz Life agents nationwide came together on 25 May 2019 to host multiple charitable initiatives. Besides blood donation drives and visits to orphanages and old folks' homes, some of the unique events this year include breaking fast at a charity home, distributing *bubur lambuk* to the public, volunteering at the Kuala Gandah Elephant Sanctuary in Pahang, and a Shoe Cutting Party at

RESPONSIBLE CORPORATE CITIZEN

NGO SOLEHOPE, which upcycles old jeans into shoes for children in third world countries. Allianz Senior Management also joined in some of the activities, to show support for their initiatives while fostering a closer relationship with our intermediaries.

Allianz Life agents and Senior Management volunteered at SOLEHOPE, upcycling old jeans into children's shoes

Fostering the spirit of giving

This year, Allianz's annual blood donation and organ pledge campaign was held in three locations across Malaysia – namely in Kuala Lumpur, Selangor, and Kota Bharu. Working together with the National Blood Centre ("PDN") and the National Transplant Resource Centre, we collected 223 pints of blood and secured 32 organ donation pledges throughout the campaign. Apart from addressing the immediate need to replenish the national blood bank's stocks, the campaign intends to raise awareness of the need to donate, and to prompt Malaysians to do so regularly.

In conjunction with Hari Raya Aidilfitri, we conducted a donation drive amongst our employees to collect festive goodies and sundry items to be distributed amongst eight NGOs in Klang Valley. The NGO recipients serve PWDs, the hardcore poor, and the elderly, and an estimated 437 people were reached through this initiative. Additionally, we sponsored a shopping trip for 45 underprivileged students from Kolej Tunku Kurshiah, where they purchased Hari Raya items.

Providing Opportunities for Future Generations

Part of our efforts in social inclusion involves exposing underprivileged youths to developmental opportunities. This includes bringing them to events that they may not have access to otherwise. We sponsored excursions for children from various NGOs including to concerts at the Malaysian Philharmonic Orchestra as well as to witness the World Junior Squash Championships grand finale. We believe that having these experiences helps with the holistic development of young people, and hope that this inspires them to pursue their dreams – whether in music, sport or academia.

Allianz brought 22 children from Persatuan Kebajikan Harapan Selesa to the Malaysian Philharmonic Orchestra concert titled Alasdair Malloy's Symphonic Safari

One way we are increasing opportunities of underprivileged youth is through our sponsorship of 33 out of 69 students in the 2019/2020 cohort of SOLS 24/7's Academy of Innovation ("SOLS. ai"). This 18-month programme provides quality education to young people from underserved communities encompassing low-income groups and indigenous families. 93% of the students that we support come from Orang Asli communities, which historically have a high education dropout rate. By offering students boarding facilities, SOLS 24/7 is able to reduce incidence of dropout and support their all-round development. The students, aged between 17 and 25 years old, are trained using innovative techniques that not only improve their English competency but equip them with knowledge and skills

RESPONSIBLE CORPORATE CITIZEN

to enhance their employability, as proven by students from the 2017/2018 cohort who have gone on to become English Trainers, Solar Technicians, JPK-accredited Computer Refurbishers and Programmers, as well as community educators in their villages. Information on the previous cohort can be found in the **An Impactful Programme** box.

An Impactful Programme

Allianz supported 50 of 105 students in the 2017/2018 SOLS.ai cohort through funding from Allianz Group's Social Innovation Fund 2017. At the end of the programme:

- **84%** of the students reported increased confidence to speak English
- **83%** of students felt more confident in looking for jobs after graduating from the programme
- Of the **50** students sponsored, **96%** received a Cambridge English certificate and **14%** passed with a Merit or Distinction

Apart from financial support, we also organise workshops and knowledge-sharing sessions with the students to equip them with soft skills relevant for the working world. This includes sessions in financial literacy and workplace etiquette. A collection campaign was held in conjunction with our Recycling Day initiative where employees donated pre-loved office attire for graduates of the 2017/2018 SOLS.ai cohort to support them as they began their 6-month job placement in the final stage of the programme. Additionally, employees contributed funds towards purchasing brand new pairs of working shoes for them as well. Allianz recruited three interns from the programme, who gained work experience in the areas of human resources and corporate responsibility.

We expanded our collaboration with SOLS 24/7 by partnering with them to establish a Community Empowerment Centre ("CEC") in Pulau Tuba, Langkawi, with the aim of bringing education and empowerment to the rural fishing community. The CEC is an on-site learning centre that serves as a hub for educational and community-based programmes for the nearly 5,000 Pulau Tuba inhabitants. In particular, emphasis is placed on improving English language competency and digital literacy of students - ranging from 7 to 70 years old - in order to enhance their employability, academic results, and social awareness.

52 students attended the CEC in 2019, with 45 of them awarded certificates during a graduation ceremony recognising their hard work. We also supported the travel costs and allowances of 24 teachers who conducted extra classes for 86 students from four schools in the area targeting their exam preparations, as well as an intensive study programme held for 56 upper secondary students under Yayasan Pelajaran MARA's Program Pintar Harapan Pulau Tuba. The CEC is slowly becoming a part of the community, with increasingly regular attendance of local inhabitants and a dedicated centre manager who organises events and activities to embed learning and encourage English use in the community.

Students from the Pulau Tuba CEC received certificates during a graduation ceremony to acknowledge their progress

In 2019, we also sponsored costs for a medical camp in Kampung Melayu, Sandakan for underserved communities residing in and around the area. More than 550 patients sought medical assistance, with 41 volunteers comprising doctors and activists from East Malaysia and the Peninsular, as well as Allianz Sandakan Branch employee volunteers. Allianz's contribution included the costs of medication and also goodies which were distributed to children during the camp.

RESPONSIBLE CORPORATE CITIZEN

Fostering Young Talents

The Allianz Junior Football Camp Malaysian League ("AJFC") is an established football youth development programme initiated in 2012 by Allianz. The football camp provides opportunities for young football talents between 14 and 16 years of age to showcase their skills and gain exclusive insight into the world of professional football. It is part of our commitment to provide a platform for grassroots development of talented Malaysian youths through a structured and competitive league system.

After seven years of running AJFC, 2019 marked the first year of it being a full-fledged national league, with presence across all six regions in Malaysia, namely Central, South, North, East Coast, Sabah, and Sarawak. The league format enables a more structured competitive environment for participating talents. 1,602 young hopefuls competed within their region, with the top 18 players of each region coming together at national level to vie for the title of national champion, but more importantly, for one of ten spots to journey on to the Allianz Explorer Camp ("AEC") – Football Edition Asia – an Asia Pacific event where they meet and compete against players from eight other Asian countries. Two of the ten Malaysian youths from the AEC – Football Edition Asia were shortlisted to attend the AEC – Football Edition Global in Munich, Germany where they get to train at Säbener Strasse, home to reigning German Champions FC Bayern Munich.

The top ten players of AJFC 2019 posing with Bayern Munich's mascot at the AEC Asia Camp in Singapore

By giving them international training experience, AJFC enables aspiring youths to acquire the skills of becoming professional footballers and instils the true spirit of sportsmanship as they learn to cooperate with others from different countries and backgrounds.

In recognition of this great opportunity, AJFC was awarded the Bronze Award in the category of Best Sport Youth Development Program of the Year by SPIA Asia – Asia's Sports Industry Awards & Conference in 2019, against stiff competition from other great grassroots development programmes. Since its inception, AJFC has seen the participation of over 9,000 youths, with 69 progressing to the Asian regional football camp, and 23 finally making it to the grounds of Säbener Strasse.

Running for a Healthier Lifestyle

We sponsored various running events in the year as part of our ongoing effort to promote healthy living amongst the local community. These include the IJM Allianz Duo Highway Challenge 2019, the IJM #Runwithme at Bandar Rimbayu, and the IJM Half Marathon at Seremban, which attracted over 25,000 runners in total. We also sponsored the Allianz Pacesetters 4x3km, described in **Working for the Inclusion of PWDs**.

For the fifth year, we organised our major running event, the Allianz Pacer Run, with 4,600 runners taking part in all categories. This year, the Allianz Pacer Run featured a new category – the 1.5km Buddy Run category – with the aim of promoting social inclusion. PWDs with learning disabilities and hearing impairment were paired with Allianz Senior Management and employees as their running buddies. More than just bringing runners together for a quality run, we found it meaningful to give PWDs the opportunity to participate in a race and prove their abilities, as we want to encourage Malaysians from all walks of life to get active and to start leading a healthier lifestyle.

Employees cheering on a PWD participant in the Buddy Run as she crosses the finish line

PROTECTION FROM A-Z

At Allianz, our passion for delivering excellence drives us from within, towards the ultimate goal of providing innovative insurance solutions that protect our customers from A-Z, so they have the confidence to move forward in life.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

THE CORPORATE GOVERNANCE CULTURE IN ALLIANZ

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

This CG Overview Statement is prepared in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad and with guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance ("Code").

Pursuant to the criteria as prescribed under the Code, the Company was considered as a Large Company since the financial year ("FY") 2018. For the FY 2019, the Company complied in all material aspects with the principles as set out in the Code. The Company adopted 33 out of the total 36 recommended practices in the Code ("CG Practice"), including the four Step Up practices, except for the following:-

(a) Practice 7.3 - Step Up
Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

(b) Practice 11.2
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

(c) Practice 12.3
Listed companies with a large number of shareholders or which have meetings in remote locations should leverage technology to facilitate voting including voting in absentia and remote shareholders' participation at general meetings.

A summary of the Company's CG practices as well as the Board's key focus areas in relation to the CG Practices are as described below, under each CG principle.

This CG Overview Statement is to be read together with the CG Report for the FY 2019 which is available in the Company's website at allianz.com.my/corporate-profile (under the CG section). It demonstrates the collective commitment of the Board and the Management of the Group in applying the CG Practices and embracing the highest standard of CG into the culture of the Group.

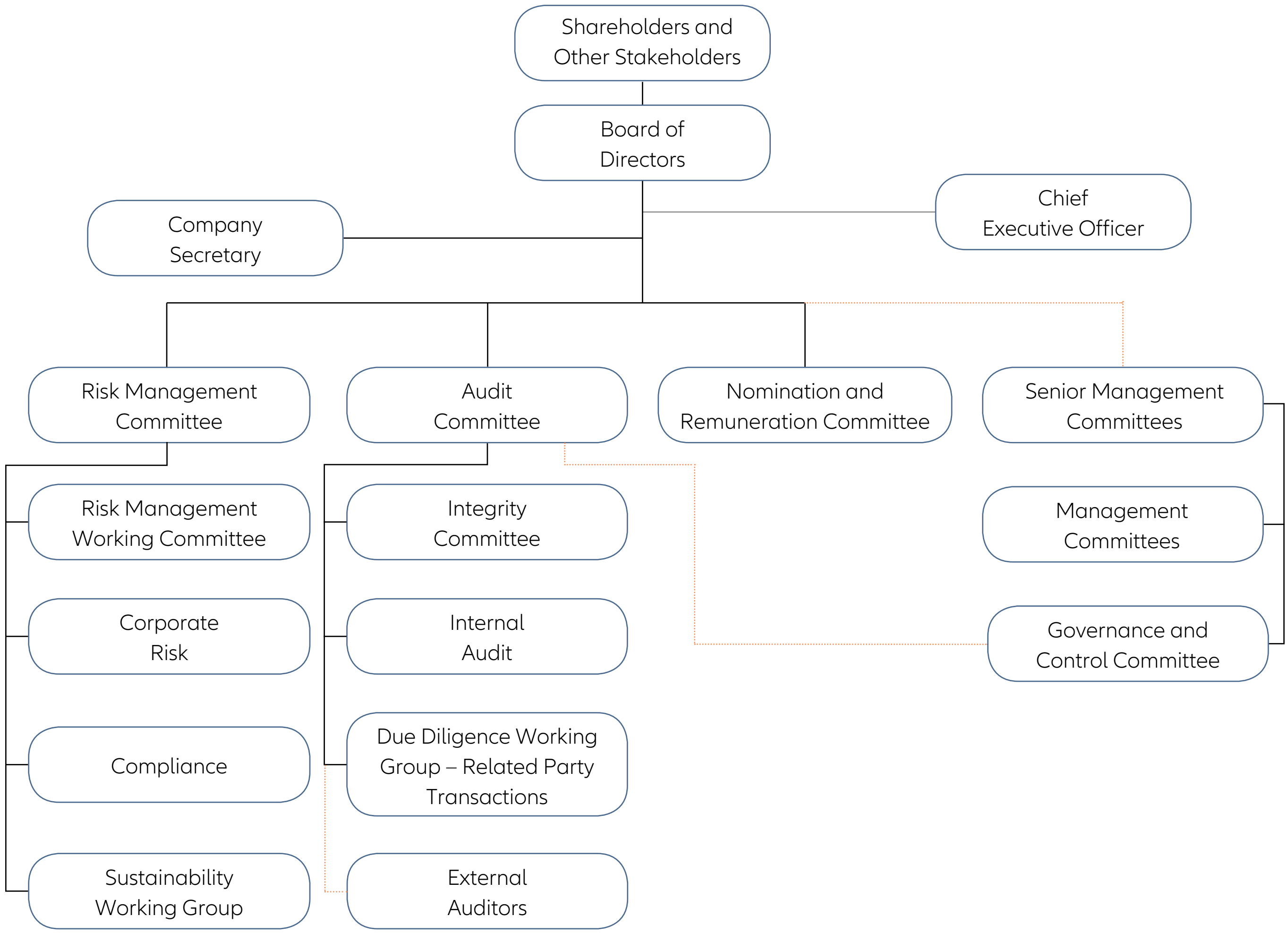
CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

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



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board is accountable to the shareholders and therefore should use its best efforts to ensure that the Company is properly managed and constantly improved so as to protect and enhance shareholders' value and to meet the Company's obligations to all parties that the Company interacts with. The Board acts in good faith, exercises discretion and proper power in discharging its fiduciary duties and leadership functions with reasonable care, skill and diligence. In addition, the Board discharged their key fiduciary duties and leadership function and responsibilities through their attendance at the respective Boards and Board Committee meetings during the FY 2019, details are as follows:-

	Company	ALIM	AGIC	Board Committee		
				AC	RMC	NRC
Independent Non-Executive Directors						
Tan Sri Datuk (Dr.) Rafiah Binti Salim [1]	5/5		6/6	5/5	3/3	5/5
Dato' Dr. Thillainathan A/L Ramasamy	5/5	7/7		5/5	4/4	5/5
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz [2]	5/5		6/6		3/3	5/5
Marzida Binti Mohd Noor [3]	5/5				1/1	
Peter Ho Kok Wai [4]	1/1	7/7	4/4	1/1	1/1	
Goh Ching Yin [5]		7/7	6/6		4/4	
Datuk Gnanachandran A/L S Ayadurai [6]		3/3	2/2			
Non-Independent Non-Executive Directors						
Foo San Kan [7]	4/4	4/4		4/4	3/3	4/4
Solmaz Altin	4/5					
Claudia Salem [8]	2/2					
Renate Wagner [9]	3/3					
Non-Independent Executive Directors						
Zakri Bin Mohd Khir			6/6			
Joseph Kumar Gross		7/7				

Notes:-

ALIM : Allianz Life Insurance Malaysia Berhad
AGIC : Allianz General Insurance Company (Malaysia) Berhad
AC : Audit Committee
RMC : Risk Management Committee
NRC : Nomination and Remuneration Committee

: Chairman

: Member

: Non-Member

[1] : Relinquished as RMC Member on 1 October 2019.
[2] : Relinquished as RMC Member on 1 October 2019.
[3] : Appointed as RMC Member on 1 October 2019.
[4] : Resigned as Independent Non-Executive Director of AGIC on 1 October 2019 and appointed as Independent Non-Executive Director of the Company, a Member of RMC and AC on the same date. Subsequently, appointed as Chairman of RMC on 3 October 2019.
[5] : Appointed as Chairman of ALIM on 3 October 2019 and re-designated from Chairman of RMC to Member of RMC on the same date.
[6] : Appointed as Independent Non-Executive Director of ALIM and AGIC on 27 September 2019 and 1 October 2019 respectively.
[7] : Retired as Chairman and Non-Independent Non-Executive Director of ALIM on 24 September 2019. Retired as Non-Independent Non-Executive Director of the Company on 30 September 2019 and relinquished as Member of AC, RMC and NRC on the same date.
[8] : Appointed as Non-Independent Non-Executive Director on 30 June 2019.
[9] : Resigned as Non-Independent Non-Executive Director on 30 June 2019.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

The Board deliberated on a 3-year business plan for 2020 to 2022 with detailed strategies, financial projection, key performance indicators, its execution and challenges faced by the insurance subsidiaries ("Business Plan"), which might have impact on the dividend income of the Company, and approved the Business Plan in November 2019. On a quarterly basis, the Board reviews the status of the Business Plan and its deliveries.

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

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

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

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

The Board and Board Committee Meetings are conducted in accordance with a structured agenda approved by the respective Chairmen. The agenda and meeting papers are sent electronically to the Directors at least one week prior to the meetings in order to accord sufficient time for the Directors to review and consider issues to be discussed at the meetings. In order to ensure the efficient flow of information between the Board and Management, the decisions made at the Board and Board Committee Meetings are circulated to the Directors, CEO and relevant Senior Management of the particular agenda within one day after the conclusion of the Board and Board Committee Meetings.

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

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

II. Board Composition

The Board composition of the Group is structured to encourage objective and independent deliberation, review and decision making. As at the date of this CG Overview Statement, the Board comprises four Independent Non-Executive Directors ("INED") and two Non-Independent Non-Executive Directors ("NINED"). Out of the six Directors on the Board, two are women Directors.

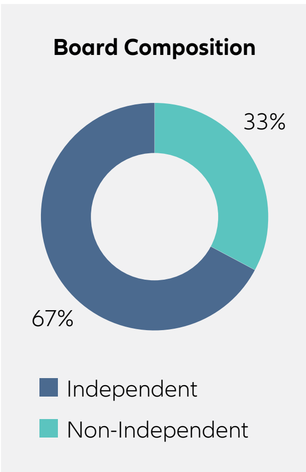
The Group has in place the evaluation process and procedures for appointment of Directors. Nomination of candidate for appointment as Director will be evaluated by the Nomination and Remuneration Committee ("NRC"). The NRC in making its recommendation on candidates for directorship, considers among others, the candidate's skill, knowledge, competencies, experience and diversity of the Board. The Board also takes into consideration the common directors requirement of Bank Negara Malaysia ("BNM") guidelines when determining the composition of the Board.

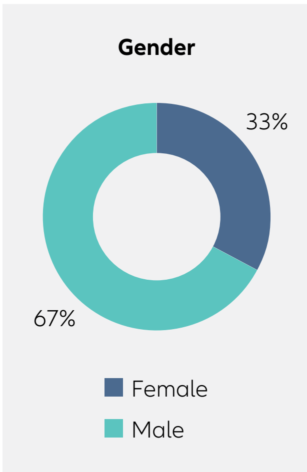
CORPORATE GOVERNANCE OVERVIEW STATEMENT

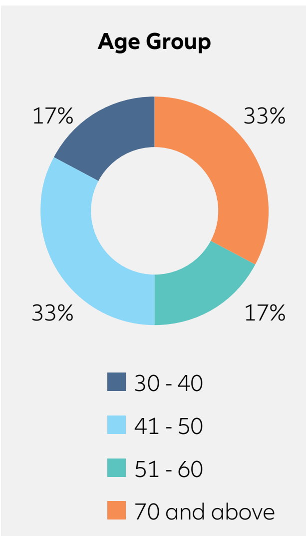
In this respect, the Group has adopted the policy on the tenure of Independent Directors which is set for a maximum period of nine years.

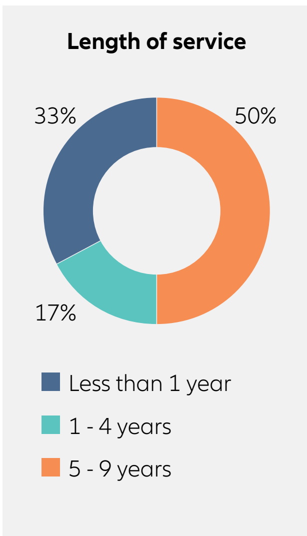
During the FY 2019, the NRC had reviewed the proposed succession plan as well as the composition of the Boards and Board Committees, taking into consideration of the qualification, skills, expertise of the members of the Boards. The NRC was of the view that the composition of the respective Boards of the Group is appropriate and well balanced in term of independency to cater for the interest of the majority and minority shareholders.

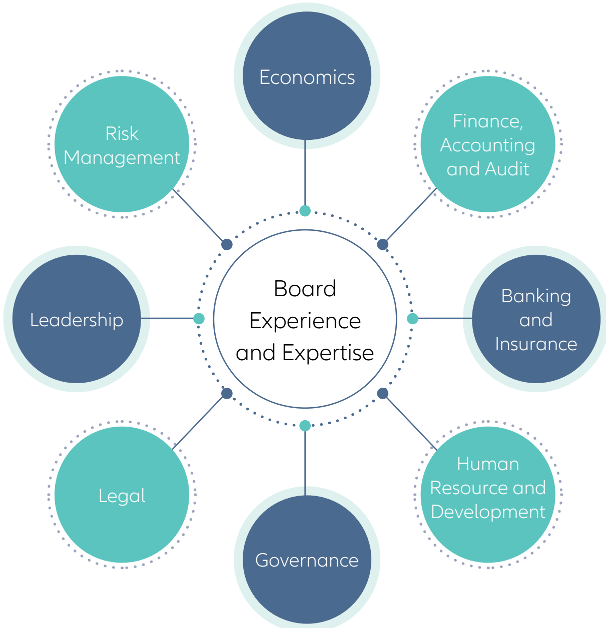
The Board's information as at the date of this CG Overview Statement is presented in the charts below:-











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

The NRC conducts an annual assessment of the performance and effectiveness of the Board, Board Committees and the contribution by each Director to the effectiveness of the Board and Board Committees. The observations from the NRC are presented to the Board for deliberation.

In addition to the Annual Performance Evaluation by peers and the NRC, and the Independence Assessment, independent external consultants will be engaged once in every three years to conduct board evaluations. The Group had in 2017 engaged Institute of Corporate Directors Malaysia to perform effectiveness evaluation for Board, Board Committees and individual Directors for the Company and its insurance subsidiaries. The next assessment on Directors' performance and remuneration by the independent external consultants will be conducted in 2020.

The Board supports the universal move to appoint more female Directors to the Board and recognises the importance of having a diverse Board in terms of experience, skills, competence, ethnicity, gender, culture and age. The Board fully endorsed that female candidates should be included in the evaluation process for appointment of new Directors to the Board. In pursuing gender diversity, the Board's commitment to diversity permeates all levels of the organisation, including the appointment of Directors to the Board. During the FY 2019, the number of female Directors was made up to a total of three female Directors, equivalent to 43% of the Board of the Company. Nevertheless, following the

CORPORATE GOVERNANCE OVERVIEW STATEMENT

resignation of a female Director in March 2020, the number of female Directors was reduced to two, made up of 33% of the Board.

The details on the activities of the NRC are described in the CG Report 2019. It embraces Principle A of the Code in relation to the Board composition.

III. Remuneration

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

The Directors' fees, allowances and benefits payable to the Chairman and Non-Executive Directors (excluding Nominee Directors of Allianz SE) of the Company and its insurance subsidiaries will be tabled for the shareholders' approval at the 46th Annual General Meeting ("AGM") of the Company.

A remuneration policy and practices of the Group (including the CEO but excluding the Non-Executive Directors) ("Remuneration Policy") are established, implemented and maintained in line with the Group's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance. The Remuneration Policy forms a key component of the governance and incentive structure through which the respective Boards and Senior Managements of Group drive performance, convey acceptable risk taking behaviour and reinforce the Group's corporate and risk culture.

Details for the roles and responsibilities of the NRC are attached to the Board Charter and the Remuneration Policy is published on the Company's website at allianz.com.my/corporate-profile (under the CG section).

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

As at 31 December 2019, the AC comprises exclusively three INEDs. The AC is chaired by an INED, Dato' Dr. Thillainathan A/L Ramasamy.

The Board observes the cooling-off period of at least two years for a former key audit partner who is directly involved in the engagement with the Company to be appointed as a member of AC. In this respect, none of the Directors are former key audit partners.

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

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

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

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

Details for the roles and responsibilities of the AC are attached to the Board Charter and the Policy on Audit and Non-Audit Services Provided by External Auditors are published on the Company's website at allianz.com.my/corporate-profile (under the CG section).

II. Risk Management and Internal Control Framework

The Board recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board carries out its oversight responsibilities on the risk management and state of internal control of the Group through the AC and Risk Management Committee ("RMC"). As at 31 December 2019, the RMC comprises wholly of INEDs.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

and serves as a platform for two way communications between the Management and the RMC on matters relating to risk strategy and management. Through the quarterly reporting from RMWC, the RMC consolidates the status of the risks of the respective companies and reports to the respective Boards for consideration.

The Governance and Control Committee ("GOVCC") is set up to support the respective Management of the insurance subsidiaries of the Company to fulfil its responsibilities with respect to regulatory governance, organisational and control requirements. The GOVCC also provides a platform for a structured and institutionalised interaction and collaboration on cross functional and control related topics to facilitate a consistent approach in terms of processes, methodologies, assessments, materiality and others. The GOVCC consists of Senior Management from governance and operation functions. The GOVCC reports internal control system related matters to the AC and governance related matters to the respective Senior Management Committee of the insurance subsidiaries of the Company.

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, the Group's assets, the interest of customers, regulators, employees and other stakeholders.

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

Details for the roles and responsibilities of the RMC are attached to the Board Charter which is published on the Company's website at allianz.com.my/corporate-profile (under the CG section).

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

I. Communication with Stakeholders

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

The Board endeavours to adopt Integrated Reporting ("IR"), in line with Practice 11.2 as set out in the Code. In kick-starting the Group's IR journey, the Board approved the engagement of an external consultant to conduct IR framework assessment for the Group. The outcomes of the assessment will be used to develop relevant action plans for IR adoption.

II. Conduct of General Meetings

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

The Notice of the 45th AGM was despatched to shareholders on 30 April 2019 with 29 clear days prior to date of the AGM to provide sufficient time for the shareholders to review the Group's financial and operational performance and to evaluate the resolutions tabled at the AGM, as well as to enable the shareholders to make the necessary arrangement to attend the AGM.

During the AGM, the CEOs of the Company and insurance subsidiaries presented the financial highlights of the Group. The shareholders are encouraged to raise questions or seek clarification pertaining to the operations, financial and business related issues and any other related matters to the agenda of the AGM.

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

The Board noted that the conduct of general meetings would be more efficient and able to encourage greater participation of shareholders by leveraging on technology. The Board had at the 45th AGM held on 30 May 2019 conducted the meeting via poll voting electronically. During the FY 2019, the Company has explored the technology solution to facilitate the voting in absentia. The Board will continue exploring more feasible solutions for the benefit of shareholders at large.

This CG Overview Statement was approved by the Board on 18 March 2020.

AUDIT COMMITTEE REPORT

COMPOSITION

The Audit Committee ("AC") of the Company consists of 3 members, all of whom are Independent Non-Executive Directors. The AC meets the requirements of paragraph 15.09(1)(a) and (b) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements ("Listing Requirements") as well as the Malaysian Code on Corporate Governance. The composition of the AC as at the date of this report is as follows:-

Members	Designation
Dato' Dr. Thillainathan A/L Ramasamy (Chairman)	Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Member)	Independent Non-Executive Director
Peter Ho Kok Wai (Member)	Independent Non-Executive Director

The AC for the Company and its insurance subsidiaries (collectively referred to as "Group") is centralised at the Company level.

INDEPENDENCE OF AC MEMBERS

None of the AC members are employed in an executive position in the Group or have a relationship which in the opinion of the Board of Directors ("Board") will interfere with the exercise of independent judgment in carrying out the functions of AC. In addition, none of the AC members are directly responsible for, or part of any committee involved in, the management functions of the Group.

All the Independent Directors satisfied the test of independence under the Listing Requirements.

ANNUAL PERFORMANCE ASSESSMENT

The performance evaluation of the AC as a whole and AC member individually for the financial year ended 31 December 2019 ("FYE 2019") were carried out by the Nomination and Remuneration Committee ("NRC") in early 2020. The NRC's observations were subsequently presented to the Board for review.

AUTHORITY

The AC has the authority to investigate any matter within its terms of reference ("TOR") and has unlimited access to all information and documents relevant to its activities. This includes access to resources; having direct communication channels with the external and internal auditors as well as the employees and agents of the Group; authority to obtain independent professional advice; and being able to convene meetings with the external auditors and internal auditors without the presence of the Management, whenever deemed necessary.

The AC is regularly updated on audit matters and notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by the Management or the Internal Audit function and whistleblowing communications received by the Group. Fraud and irregularities will be referred to the Integrity Committee or Internal Audit function, where applicable, for investigation while whistleblowing communication will be referred to the Integrity Committee for investigation.

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

ROLES OF THE AC

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

- Support the Board in ensuring that there is a reliable and transparent financial reporting process
- Monitor and evaluate the performance and effectiveness of the external and internal audit functions
- Review and report to the Board of conflict of interest situations and related party transactions ("RPTs")
- Assess the internal control environment

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

AUDIT COMMITTEE REPORT

MEETINGS AND ATTENDANCE OF MEETINGS

The AC meetings for each year are scheduled in advance prior to the end of the year and circulated to the AC members, before the beginning of each year.

The AC meetings are conducted in accordance with a structured agenda approved by the AC Chairman. The agenda together with the minutes of AC meeting and meeting papers are sent to the AC members at least one week prior to each AC meeting to accord sufficient time for the AC members to review and consider issues to be discussed at the AC meeting. Urgent matters may be tabled for AC's deliberation under a supplemental agenda.

The respective Chief Executive Officers of the Group, the Chief Financial Officer/Head of Finance ("Finance Team") of the Company and its subsidiaries and the Group Head of IAD are permanent invitees to the AC meetings to assist in the deliberation of matters within their purview. Other members of the Management are also invited to the AC meeting to facilitate discussion on specific agenda items under their purview.

The meetings of the AC are transparent, with all proceedings and actions being recorded and documented. The AC member who has a direct or deemed interest in a proposal or subject matter presented at the AC 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 Group on matters deliberated during the AC meetings and require the attention of the respective Boards. The minutes of the AC, upon confirmation, are presented to the respective Boards of the Group for information.

The AC members' attendance records are set out in the Corporate Governance Overview Statement section in this Annual Report.

SUMMARY OF WORK

The subject matters that had been discussed by the AC during the FYE 2019 were as follows:-

- A Financial Reporting;
- B Internal Audit related matters;
- C External Auditors related matters;
- D RPTs; and
- E Integrity and Ethics related matters.

The following were the summary of work carried out by the AC during the FYE 2019:-

FINANCIAL MATTERS

(a) AC reviewed and recommended the following for the approvals of the respective Boards of the Group:-

(i) The Audited Financial Statements and Directors' Reports ("AFS") of the Company and its subsidiaries for the financial year ended 31 December 2018 ("FYE 2018").

(ii) The audited and unaudited consolidated quarterly reports of the Group.

(iii) The AFS and AFS for Investment-Linked ("IL") Funds for the FYE 2018 of the life insurance subsidiary.

(iv) The AFS for the FYE 2018 and the Interim Financial Statements for the financial period ended 30 September 2019 ("Interim Review") of the general insurance subsidiary.

(v) The unaudited Interim Financial Statements for the half-year ended 30 June 2019 of the insurance subsidiaries.

(vi) The audited annual return for the FYE 2018 of the insurance subsidiaries for submission to Bank Negara Malaysia ("BNM").

The review covers among others, significant and unusual events, the going concern assumption, compliance with accounting standards and other regulatory requirements, material litigation, profit contribution by insurance operations and prospects of the Group.

The Finance Team have given their assurance to AC that the financial statements of the respective companies were prepared on a going concern basis and complied with relevant statutory and regulatory requirements.

The External Auditors of the Group, PricewaterhouseCoopers ("PwC") PLT, has given an unqualified opinion on the AFS of the Company and its insurance subsidiaries for FYE 2018.

(b) AC reviewed and recommended for the approvals of the respective Boards of the Group, the Management Representation Letters to the External Auditors in respect of the statutory audits of the Group and AFS for IL Funds for the FYE 2018 of the Company's life insurance subsidiary.

AUDIT COMMITTEE REPORT

The Management Representation Letters set out the representations made by the respective Boards/Management on information and/or assumptions presented to External Auditors during the course of their audit, confirming the financial statements have been drawn up to give a true and fair view in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016, the Financial Services Act 2013 and guidelines/circulars issued by BNM as well as the Management's responsibilities for the financial statements.

(c) AC reviewed and recommended for the approvals of the respective Boards of the Company's insurance subsidiaries, the respective Actuarial Reports and Audited Reporting Forms in relation to Risk-Based Capital Framework for the FYE 2018.

(d) AC reviewed and recommended for the approval of the Board of the general insurance subsidiary, the Management Representation Letter to the External Auditors in respect of the limited review of the general insurance subsidiary's Interim Review.

(e) AC reviewed the Statement on Risk Management and Internal Control ("SORMIC") prior to the same being submitted to External Auditors for review.

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

AC also reviewed the Management Representation Letter in relation to SORMIC and was satisfied with the contents of the same. AC approved the Management Representation Letter for submission to the External Auditors.

(f) AC reviewed the updates and progress scorecard on the implementation of IFRS 9 and 17.

The Management had on a quarterly basis updated the AC on the progress of the implementation of IFRS 9 and 17. The AC had also recommended for the approvals of the respective Boards of the Group for a mandate to be given to the Chief Financial Officer/Head of Finance of the Company and its subsidiaries to manage the implementation cost approved by the respective Boards.

INTERNAL AUDIT RELATED MATTERS

(a) In its oversight over the Internal Audit function, AC had approved the Group's 5-year (2020-2024) Internal Audit Plan. The said 5-year Internal Audit Plan is a dynamic plan and the review will be conducted on an annual basis. AC had also approved the management expenses budget of IAD.

(b) AC reviewed on a quarterly basis, the progress reports of the Group's Internal Audit Plan 2019 ("2019 Plan") to ensure that the 2019 Plan was on track. AC also discussed the progress reports on various outstanding audit findings. AC noted that 100% of the 2019 Plan has been executed.

(c) The various Internal Audit Reports and Internal Assessment Reports covering core operations, non-core operations and information technology ("IT") were tabled for deliberations at AC meetings. The system of internal control over the audited areas, including Management oversight, were found to be adequate or with moderate shortcomings. Lapses/shortcomings reflected in the reports were deemed not significant or material and hence did not impact the effectiveness of the Group's overall internal control environment. AC took note that rectification measures were taken to address the audit concerns raised. Where appropriate, AC provided its opinions and directives to improve the existing processes and procedures.

(d) AC reviewed the Independent Validation Reports for Perbadanan Insurans Deposit Malaysia ("PIDM") Differential Levy System ("DLS") Framework and Return on Calculation of Premiums for the period from 1 January 2018 to 31 December 2018 ("Validation Reports"), prepared by the Group Head of IAD and External Auditors for the Company's insurance subsidiaries. Both the Group Head of IAD and External Auditors had given clean opinion on their respective Validation Reports. AC approved the Validation Reports prepared by the Group Head of IAD and the Chairman of the AC was authorised to sign the Validation Reports for and on behalf of the AC.

AC also reviewed the notification from PIDM in respect of the DLS score, levy category and annual levy rate for assessment year 2019 for the insurance subsidiaries.

(e) AC reviewed the results of the self-assessment review of the IAD in 2019. The internal audit self-assessment review is conducted on an annual basis to evaluate the internal audit activities' efficiency, effectiveness and identifies opportunities for improvement. The overall performance of the IAD was rated Improvement Needed.

AUDIT COMMITTEE REPORT

(f) AC reviewed the succession plan and the resource requirements of IAD including the adequacy and competency to ensure that the quality of the resources is optimal for the IAD to carry out its function effectively.

(g) In February 2019, AC evaluated the 2018 performance of the Group Head of IAD and submitted its recommendations to the NRC and the respective Boards for review. AC also reviewed the 2019 target letter of the Group Head of IAD and recommended the same for the approval of the NRC and the respective Boards.

(h) AC noted the annual declaration of independence by the Group Head of IAD in respect of the internal audit activities carried out in 2019. The Group Head of IAD declared that the internal audit activities carried out complied with the independence requirements of the Institute of Internal Auditors and the Allianz Group Standards and there was no contravention of any applicable code of professional conduct in relation to the audit activities.

(i) The Group Head of IAD had on 20 February 2019 met with AC without the presence of the Management to discuss on key internal controls and internal audit matters. AC also reviewed together with the Group Head of IAD, the resources, staffing and succession plan of the IAD.

EXTERNAL AUDITORS RELATED MATTERS

(A) Audit Plan, Findings and Recommendations

During the financial year 2019, the External Auditors attended the AC meetings and reviewed the following matters with the AC:-

(a) the 2018 final audit findings of the Group covered significant risk areas, adjustment arising from the audit, control deficiencies and fraud reporting. The External Auditors have not alerted AC on any material concern/ weaknesses on internal controls of the Group.

(b) the Management Letter issued by the External Auditors highlighted matters on system of internal control which came to the External Auditors' attention during the course of the statutory audit of the general insurance subsidiary for the FYE 2018 and the Management's responses in relation thereto. AC was satisfied with the responses provided by the Management and recommended the same to the Board of the general insurance subsidiary for approval.

(c) the External Audit Plan of the Group for the FYE 2019 detailed amongst others, the areas of focus such as specific risks areas for the respective entities within the Group, adoption of MFRS 16 "Leases" by the Group, valuation of general insurance contract liabilities, valuation of goodwill and valuation of financial instruments in the life insurance subsidiary.

(d) the interim audit findings raised by the External Auditors in their Limited Review and Status Update Report to the Group and the Management's responses to the audit findings. AC was satisfied with the Management's responses.

One private discussion was held between AC and External Auditors without the presence of the Management on 20 February 2019 to allow them to express concerns, problems and reservations, if any, arising from their audits.

(B) Re-appointment of External Auditors

(a) In line with AC's responsibility to review and appoint the External Auditors, AC reviewed the performance assessment of PwC PLT including its engagement partner ("EP") and concurring partner ("CP"), based on the criteria prescribed by the relevant authorities, amongst others, PwC PLT's independence, the adequacy of its experience and resources, the level of knowledge, capabilities, experience and quality of previous work, level of engagement, ability to perform the audit work within the agreed timeframe, adequacy in audit coverage, effectiveness in planning and conduct of audit, ability to provide constructive observations and independence.

In February 2019, AC undertook an annual assessment on the performance of PwC PLT, including its EP and CP. The assessment on the performance of PwC PLT based on the criteria prescribed by the relevant authorities had been performed by the Finance Team of the respective companies within the Group. The Finance Team of the Group were satisfied with the work delivered by PwC PLT and recommended the re-appointment of PwC PLT as External Auditors for the financial year 2019 based on the following rationales:-

(i) PwC PLT is familiar with the local insurance industry and they are also the external auditors of Allianz SE Group ("Allianz Group").

AUDIT COMMITTEE REPORT

(ii) PwC PLT is selected after a global tender process by Allianz Group and assessed to be able to provide effective co-ordination of the audits between the companies within the Group as well as between the Group and Allianz Group.

(iii) PwC PLT met the minimum criteria, as prescribed by BNM.

(iv) PwC PLT completed the Group's 2018 statutory audit satisfactorily.

During the financial year 2019, PwC PLT made a declaration to the Group that PwC PLT and its network firms, the EP, engagement quality control reviewer and members of the engagement team in the audit were and had been, independent for the purpose of the audit in accordance with the terms of the relevant professional and regulatory requirements.

AC deliberated on the evaluation and recommendation of the Finance Team and concurred with the Management's recommendation and justification to re-appoint PwC PLT as the External Auditors for the Group and recommended the re-appointment of PwC PLT as the External Auditors for the Group for the financial year 2019 for the respective Boards' approval.

AC also ensures that there is a rotation on the EP and the CP at least once in every 5 years. During the financial year, AC reviewed the proposed re-appointment of the EP and the CP together with the EP's statutory declaration pertaining to his compliance with the BNM's appointment criteria for auditors. AC was satisfied that the EP and the CP met the qualification criteria as prescribed by BNM. AC therefore recommended the re-appointment of EP and CP of the Group for the respective Boards' approval.

(b) AC reviewed the scope of work and the audit fees of the Group for the financial year 2019 ("2019 Audit Fees") and recommended the same for the respective Boards' consideration.

(c) The 2019 Audit Fees for the Company and the Group are as set out below:-

	Group RM'000	Company RM'000
Statutory Audit Fees	794	143

(d) AC also reviewed and recommended the following proposals for the approvals of the respective Boards of the Group:-

(i) the re-appointment of PwC PLT to review the SORMIC of the Company for the financial year 2019;

(ii) the engagement of PwC PLT to perform Interim Review on the general insurance subsidiary;

(iii) the PwC PLT's engagement letters in relation to the above engagements.

(C) Provision of Non-Audit Services by the External Auditors

AC is required to ensure proper check and balances are in place so that provision of non-audit services by the External Auditors do not interfere with their exercise of independent judgment. During the year, AC reviewed and recommended for the approval of the respective Boards of the Group, the revised Policy on Audit and Non-Audit Services Provided by External Auditors ("Policy"). The Policy was put in place to govern the professional relationship between the Group and its External Auditors in relation to audit and non-audit services. The Policy aims to ensure that the independence and objectivity of the External Auditors are not compromised. The Policy is available in the Company's website at allianz.com.my/corporate-profile (under the Corporate Governance section).

During the year, AC recommended the below mentioned non-audit services and their respective fees for the respective Boards' approval ("Non-Audit Services & Fees"). The Non-Audit Services & Fees were approved by the respective Boards of the Group during the financial year 2019:-

	Subsidiaries RM'000	Company RM'000
Non-Audit Fees		
• review of interim financial information for the Interim Review for the general insurance subsidiary	53	-
• other regulatory related fee (PIDM agreed-upon procedures) for the insurance subsidiaries	16	-
• review of SORMIC	-	10

The total non-audit fees of the Group for the financial year 2019 amounted to RM79,000.

AUDIT COMMITTEE REPORT

RPTs

(a) During the financial year, AC reviewed and deliberated on all new and existing RPTs and recurrent RPTs ("RRPTs") for the ensuing year and recommended to the Board for consideration.

All RPTs and RRPTs were reviewed by the Shareholders' Mandate Due Diligence Working Group ("DDWG") prior to the said transactions being presented to AC for consideration. The DDWG reviewed all RPTs and RRPTs and submitted its recommendations to AC based on the criteria, include but are not limited to the following:-

(i) transaction prices or contract rates;
(ii) terms and conditions of the contract;
(iii) efficiency, quality, level of service and/or expertise and/or technical support provided;
(iv) benefits arising from the services/products;
(v) satisfactory past year experience and working relationship; and
(vi) in respect of the insurance activities, pursuant to reinsurance, underwriting and treaty arrangements entered into between relevant parties.

AC reviewed the RPTs/ RRPTs and submitted its recommendation to the respective Boards of the Group for consideration. The AC also reviewed and recommended the announcement in respect of the renewal of Shareholders' Mandate for RRPTs, for the Board's approval.

AC member who has a direct or deemed interest in the RRPT presented at AC meeting had abstained from deliberation and voting on the said RRPT.

AC also reviewed the list of RPTs entered into by the insurance subsidiaries for the periods from 1 January 2018 to 31 December 2018 and from 1 January 2019 to 30 June 2019 which were submitted to BNM.

(b) During the financial year, AC also reviewed the review procedures for RRPTs ("Review Procedures") to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify RPTs/RRPTs in a timely and orderly manner. AC was of the view that the Review Procedures are sufficient to ensure that the RPTs/RRPTs are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company, and the Group has in place adequate procedures and processes to monitor, track and identify RPTs/RRPTs in a timely and orderly manner. In view thereof, AC approved the AC Statement in respect of the Review Procedures for inclusion in the Circular to shareholders in relation to the renewal of Shareholders' Mandate for RRPTs.

(c) AC reviewed the disclosure of RRPTs outstanding amount due from related parties ("Outstanding Amount") including the Management's action plan to collect the Outstanding Amount and the Management's view on the recoverability of the Outstanding Amount (collectively referred to as the "Outstanding Amount Disclosure") and agreed with the Management's view and action plan in relation thereto. AC having satisfied that the Outstanding Amount Disclosure met the disclosure requirements of Bursa Malaysia Securities Berhad, resolved that the same be recommended for the Board's approval.

(d) In ensuring that RPTs/RRPTs have been carefully reviewed, AC reviewed the disclosures of the directorships and shareholdings held by Directors and persons connected with them on a half yearly basis or when the changes occurred.

INTEGRITY AND ETHICS

(a) The oversight of whistleblowing and fraud matters of the Group is performed by the Company's Integrity Committee. The Integrity Committee coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents and reports its findings and recommendation to AC.

(b) AC reviewed the findings and recommendations of the Integrity Committee on the updates of reported whistleblowing cases and new whistleblowing cases. There were no material issues reported. AC approved the actions to be taken and the closure of cases as recommended by the Integrity Committee.

(c) AC reviewed the findings and recommendations by the Integrity Committee on the updates of reported fraud cases and new fraud cases discovered by the insurance subsidiaries. There were no fraud cases of material or significant impact detected. AC approved the actions to be taken and the closure of cases as recommended by the Integrity Committee.

AUDIT COMMITTEE REPORT

(d) AC reviewed the gift register of the Group 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.

OTHERS

(a) AC reviewed and recommended for the approval of the Board, the Chairman's Statement, Management Discussion and Analysis, AC Report and the Corporate Governance Overview Statement for inclusion in the Annual Report of the Company for the FYE 2018.

(b) AC reviewed and discussed on the tax audit development for the general insurance subsidiary.

(c) AC reviewed and deliberated on the BNM's 2018 supervisory review observations of the insurance subsidiaries and the Management's responses and remediation actions, prior to the same being presented to the respective Boards. AC also monitored the remedial measures to address the findings highlighted in BNM's 2018 supervisory review on a quarterly basis.

(d) AC reviewed and deliberated on the general insurance subsidiary's non-compliance with requirements under the BNM's Policy Document on Phased Liberalisation of Motor and Fire Tariffs and the Management's responses and action plans in relation thereto. AC also monitored the remedial measures to address the findings highlighted by BNM on a quarterly basis.

(e) AC reviewed and deliberated on the supervisory assessment by BNM on the general insurance subsidiary's post liberalisation of motor insurance and the Management's responses and action plans in relation thereto. AC also monitored the remedial measures to address the findings highlighted in the said supervisory assessment on a quarterly basis.

(f) AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Accounting and Reporting Policy version 6.0 ("GARP"). GARP defines the framework for the provision of reliable and high quality financial information by Allianz Group, and shall thus, facilitate the implementation of regulatory and accounting requirements. It aims to minimise any Accounting and Reporting risk to protect Allianz Group's financial stability and reputation. Hence, the GARP outlines the principles for Accounting and Reporting functions and processes in the Allianz Group and sets the related governance structure. A gap analysis was performed and there were no material gaps or applications that require adaptation.

(g) AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Audit Policy version 8.0 ("AGAP"). AGAP aims to ensure that the organisation and work of the Allianz Group's Internal Audit functions worldwide adhere to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Allianz Group's goals are ensured.

(h) AC deliberated on the progress of investigation by Malaysia Competition Commission in respect of the allegation by Federation of Automobile Workshop Owners' Association of Malaysia on Persatuan Insurans Am Malaysia and its members, including the general insurance subsidiary of the Company.

(i) AC reviewed and recommended for the approval of the Board of the life insurance subsidiary, the recognition of deferred tax asset and the revision to the Impairment Policy.

TRAINING

During the FYE 2019, AC members attended various conferences, seminars and training programmes and the details of the conferences, seminars and training programmes are reported in the 2019 Corporate Governance Report of the Company.

INTERNAL AUDIT FUNCTION

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

All internal audit personnel had confirmed via annual declaration to the Group Head of IAD that they were free from any relationship or conflict of interest, which could impair their objectivity and independence for internal audit activities carried out for the FYE 2019. The Group Head of IAD has provided assurance to the AC via the annual declaration of independence for the FYE 2019 that the internal audit activities carried out during the year has complied with

AUDIT COMMITTEE REPORT

the independence requirements of the Institute of Internal Auditors and other relevant practices or guidelines from Allianz Group Audit and there was no contravention of any applicable code of professional conduct in relation to the audit activities.

The primary objective of the IAD is to assist the Management, AC and the respective Boards of the Group in the effective discharge of its responsibilities. This is performed through the independent assessment and appraisal of the internal controls and the evaluation of the effectiveness of risk management system and corporate governance process of the Group to ensure that organisational and management controls are adequate and effective, in line with the Group's goals. It includes promoting and recommending cost effective controls for safeguarding the Group's assets and minimising the opportunities for error and fraud.

During the FYE 2019, the IAD carried out its duties in accordance with its Audit Charter and 2019 Plan. All internal audit reports which incorporated the Management of the respective companies' responses and action plans were tabled for discussion at AC meetings.

2019 Plan was developed based on annual risk assessment and approved by the AC. The identified key audit areas for 2019 encompassed reinsurance management, financial closing, tax and reporting, accounts receivables, cost allocation, corporate actuarial, broker management, technical products design and controlling, claims performance management and IT systems audit regulatory compliance audit such as Business Continuity Management, claims provider management and Replacement of Policy.

A total of 35 internal audit assignments were carried out during the FYE 2019. A total of 41 internal audit and assessment reports generated during the FYE 2019 were reviewed and deliberated by AC. There were no significant or material audit findings detected during the FYE 2019.

These audits and assessment reviews were performed in line with BNM's guidelines with regard to Internal Audit Function, Professional Practice of Internal Auditing set by the Institute of Internal Auditors and other relevant practices or guidelines.

The IAD also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports of the audit observations on remedial measures taken by the Management of the respective companies were tabled at AC meetings on a quarterly basis for AC's review.

IAD also participated in an advisory consulting role in the development of new process as well as system developments and enhancement where the objective is to add value and improve governance, risk management and controls without assuming management responsibility.

There were a total of 17 internal auditors including the Group Head of IAD. All internal auditors have completed tertiary education in the relevant fields related to the business of the Group and the level of expertise and professionalism within IAD at the end of 2019 was as follows:-

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

The total cost incurred by the IAD in discharging the internal audit functions of the Group for the financial year 2019 was RM3.0 million (2018: RM3.0 million).

This AC Report was approved by the Board on 18 March 2020.

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 that requires the Board of Directors ("Board") to include in the Company's 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 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 continuous reviews are undertaken to ensure adequacy and integrity of these systems. While such systems, are designed to safeguard shareholders' investments and the Group's assets, they 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 2019 and up to the date of this Statement.

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

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

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

The Chief Executive Officer and the Chief Financial Officer have given assurance to the Board on the adequacy and effectiveness of the Group's risk management and internal control system. For the financial year ended 31 December 2019 and up to the date of this Statement, the Management has not identified any significant deficiencies in the design or operation of risk management and internal controls of the Group that could adversely affect the Group's ability in meeting its business objectives.

CONTROL STRUCTURE

The key processes that the Board has established for reviewing the adequacy and integrity of risk management and internal controls of the Group are as described below.

RISK MANAGEMENT FRAMEWORK

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The RMFM is in compliance with the relevant requirements of the guidelines and/or policies issued by Bank Negara Malaysia ("BNM") and Allianz SE Group.

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 Compliance and Risk Management that are independent from business operations.

- The Compliance function assists the respective Board and Senior Management of the OEs in managing and mitigating the compliance risks due to any non-compliance of the requirements of the law, regulations as well as regulatory and industry guidelines.

- Risk Management function assists the respective Board and Senior Management of the OEs to achieve its strategic goals and objectives by implementing risk management activities and controls across the organisation.

Both the Compliance and Risk Management functions report to the RMC which assists the Boards of the OEs to discharge its oversight function effectively. As part of its responsibilities, the Compliance and Risk Management functions advise the Boards and Senior Management of the OEs on compliance, risk and regulatory matters; and promote risk and compliance awareness amongst the Group's employees through trainings and workshops.

In addition to the above oversight functions, Legal and Actuarial functions of the insurance OEs constitute additional components of the "second line of defence". An appropriate control framework has been established to avoid any potential conflict of interest to fulfil their role as the second line of defence.

- The Legal function seeks to mitigate legal risks arising from legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual terms.

- The Actuarial function contributes towards assessing and managing risks in line with regulatory requirements and reports to the respective Board and Senior Management of the OEs. Its scope of work includes coordination and calculation of technical reserves, providing oversight on product pricing and profitability and contribution to the effective implementation of the risk management system.

The RMC drives the risk management framework of the Group and reports quarterly to the Boards 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.

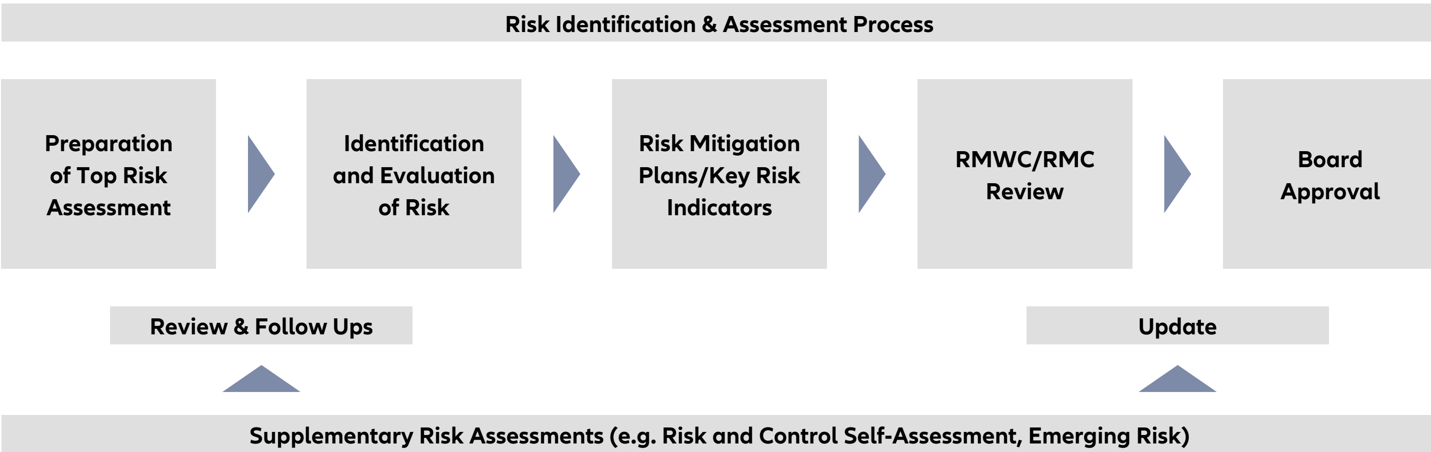
The Governance and Control Committee ("GovCC") supports the respective OEs' Management to fulfil its responsibilities with respect to regulatory governance, organisational and control requirements. The GovCC also provides a platform for structured and institutionalised interaction and collaboration on cross functional and control related topics to facilitate a consistent approach in terms of processes, methodologies, assessments, materiality and others. GovCC members consist of senior management from governance and operation functions. The GovCC reports internal control system related matters to Audit Committee and governance related matters to the respective OEs' Senior Management Committee.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT PROCESS

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

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



(i) Top Risk Assessment ("TRA")

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

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

Key Risks	Board Definition	Risk Management Practices
Market	Unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. It also includes changes in market prices due to worsening of market liquidity.	• 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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

Key Risks	Board Definition	Risk Management Practices
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 pre-approved limits to ensure the diversification of investment portfolio in order 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 review process.
Legal and Regulatory	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.
Cyber Threat	Loss of data confidentiality, loss of data integrity, as well as business disruption and loss of availability of services resulting in legal costs, fines, forensic costs, remediation costs, compensation and/or reputation management costs.	• Strict policy and disciplinary action for security breach • Staff awareness on IT Security • Access Control • Regular review on User ID access. • Use of virus protection software • Data Loss Prevention solution • Conduct of Annual Penetration Testing by independent party to detect possible external and internal vulnerabilities. • IT security controls in place, such as Firewall, Malware Protection and DDOS protection • Privilege Identity Management • Database encryption

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

(ii) Operational Risk Management ("ORM")

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

ORM is monitored through a combination of the following activities:-

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

(iii) Reputational Risk Management

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

The Group has adopted Allianz SE Group's Allianz Standard for Reputational Risk and Issues Management which establishes a 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 approach. Indirect reputational risks are managed through the TRA as well as risk and control self-assessment processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

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

(iv) Liquidity Risk Management

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

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

(i) Internal Capital Adequacy Assessment Process ("ICAAP")

ICAAP is an overall process by which the insurance OEs 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 of the insurance OE.

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

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

(ii) 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 OEs' 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 OEs' 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 Boards and Management of the insurance OEs participated actively in providing feedbacks on the stress test results and appropriateness of the methodology and assumptions adopted to perform the stress test for the respective insurance OEs.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Internal Audit

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

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

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

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

Management Authority Limit

- The Board's approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision making process in the Group. The operational authority limits incorporate segregation of duties and check and balance in delegation of authority.

- The Management's authority limits include limits for underwriting of risks, claims settlement, reinsurance, and capital expenditures and are reviewed and updated to ensure relevance to the Group's operations. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

- In ensuring that the decision making process is transparent and to the best interest of the Group, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Group, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.

Policies and Procedures

- Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.

- These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required. Policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Annual Business Plan and Performance Review

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

Related Party Transactions

- The Group has established the necessary controls and procedures to ensure compliance with the relevant regulatory requirements. Necessary disclosures are 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 will be obtained prior to execution.

- A due diligence working group was formed to review the related party transactions prior to the same being submitted to the AC for consideration. The AC will subsequently review the related party transactions and submit its recommendation to the respective Board of the OEs for consideration.

- The AC also review the related party transaction review procedures on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including recurrent transactions in a timely and orderly manner.

Underwriting and Reinsurance

- The insurance OEs employ high standards in their respective underwriting 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 within the pre-determined parameters.

- 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 reports are amongst the reports submitted to the Investment Committee and the Board of the insurance OEs for review at its quarterly meetings.

Code of Conduct for Business Ethics and Compliance ("COC")

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

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

- The Group has in place internal policies and procedures relating to AML/CFT to prevent and detect money laundering and terrorism financing activities. In life insurance OE, these include customer due diligence, screening against sanctions list and suspicious transaction reporting to the Compliance Department whereas in general insurance OE, sanctions list screening procedures are in place and any suspicious

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

transactions are reported to the Compliance Department. In respect of education, staff and agents of life insurance OE are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.

Product development

- The insurance OEs have each in place a Product Development Management Policy ("PDM Policy") which sets out the policies and procedures on product development in accordance with the requirements of the Guideline on Introduction of New Products by Insurers and Takaful Operators (BNM/RH/STD 029-10) issued by BNM ("BNM Product Guidelines").

- The PDM Policy aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The PDM Policy will also assist to ensure that the products developed and marketed by the respective insurance OEs are appropriate to the needs, resources and financial capability of the targeted consumer segments.

- The on-going product risk management is embedded within the risk management framework of the Group.

Whistleblowing and Anti-Fraud

- The oversight of whistleblowing and fraud matters of the Group is performed by the Company's Integrity Committee ("InC"). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.

- The Group has adopted the Allianz SE Group's Anti-Fraud Policy ("AZSE AFP") and the Allianz SE Group's Whistleblowing Policies and Procedures ("AZSE WBPP") to address fraud and whistleblowing issues respectively. The AZSE AFP defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The AZSE WBPP on the other hand, describes the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.

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

- The InC reports its findings and recommendations to the AC.

Anti-corruption

- The Group has adopted Allianz SE Group's Anti-Corruption Policy which serves to outline the Group's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.

- The Vendor Integrity Screening process which is a part of the Allianz SE Group's Anti-Corruption Programme aims 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 Sections 59(1), (2) and (3) of the Financial Services Act, 2013. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-

  (i) Related Party Transaction Declaration;
  (ii) Disclosure of Data;
  (iii) Conflict of Interest;
  (iv) Code of Conduct for Business Ethics and Compliance;
  (v) IT Security Policy and Guideline e-Awareness Declaration;
  (vi) Anti-Corruption Policy;
  (vii) Anti-Fraud Awareness Declaration; and
  (viii) Dealing with Government Clients Declaration (only applicable for marketing employees).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Sales Policy and Sales Agent Code of Conduct

- The Group's insurance intermediaries are guided by the Sales Policy and Sales Agent Code of Conduct in order to promote professional sales conduct of intermediaries representing the Group. The Group has established an Ethics and Compliance Committee in insurance OEs to deal with intermediary behaviour that are contrary to the Sales Policy and Sales Agent Code of Conduct.

- In addition, agents of the insurance OEs are also required to comply with the Code of Ethics and Conduct imposed by the respective insurance associations.

- All internal control deficiencies or breaches related to the Sales Policy and Sales Agent Code of Conduct are reported to the respective Senior Management Committees of the insurance OEs together with corrective measures.

Agent Sales Compliance Disciplinary Policy

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

Business Continuity Management

- Business Continuity Plans for all OEs have been formulated to ascertain that the Group will recover and restore any interrupted critical functions within a predetermined time upon the occurrence of any disastrous events.

- The testing for Business Continuity Plan is conducted at least once a year whilst the Disaster Recovery Plan test for all main application systems is conducted at least twice a year.

Information System

- The insurance OEs complied with the expectations of 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. All employees are required to strictly abide to and comply with the Group Information Security Policy and Standard ("IS Policy") to protect information confidentiality, integrity, availability and non-repudiation.

- Following the issuance of the Risk Management in Technology Policy Document ("RMiT Policy") by BNM, which will come into effect on 1 January 2020, the insurance OEs have conducted a gap analysis and formulated appropriate action plans to meet the expectations and requirements prescribed under the RMiT Policy.

- The IT Steering Committee and Digital Transformation Committee of the insurance OEs were combined and renamed as IT & Digital Steering Committee ("ITDSC"). The ITDSC is responsible for the overall strategic deployment of IT and digital assets in tandem with the business objectives. Other duties and responsibilities of ITDSC include, establishing effective IT and digital plans, formulation and implementation of technology risks management program, recommending to the respective Senior Management Committees, Risk Management Committee and Board (whichever applicable) for approval on IT-related expenditure and material deviation from technology-related policies, as well as monitoring the progress of approved IT and digital programs/projects.

Data Management Framework

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

Data Privacy

- The Allianz Privacy Standard ("APS"), contains the global minimum requirements applicable within the Allianz SE Group for the processing and transfer of personal data within the Allianz SE Group. The APS takes into account the requirements of the European Union privacy law, the General Data Protection Regulation to facilitate cross-border transfers of personal data originating from or processed in the European Economic Area within the Allianz SE Group. Under the APS, there are functional rules specifying data privacy and protection requirements, including conducting Privacy Impact Assessment to record processing activities that involve handling of personal data and personal data breach incident guideline and workflow. Compliance with the APS adopted by the Group ensures compliance with the Malaysian Personal Data Protection Act, 2010 and is in line with the Code of Practice on Personal Data Protection for Insurance and Takaful in Malaysia.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Human Resources Policies and Procedures

- The Group has established proper policies and procedures on human resource management, including recruitment, learning and development, talent development, performance management and employee benefits. These policies and procedures are reviewed as and when the need arises and changes effected are communicated to relevant employees via-email. The policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.

Review of Statement on Risk Management and Internal Control by External Auditors

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), ***Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report*** issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 31 December 2019, and in their limited assurance review, they have reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

(b) is factually inaccurate.

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

Conclusion

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

This Statement is made in accordance with the resolution of the Board dated 27 February 2020.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2019, there were no proceeds raised from corporate proposals.

2. MATERIAL CONTRACTS

The Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors, chief executives or major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2019 or, had been entered into since the end of the previous financial year.

3. ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020

3.1 ORDINARY SHARES

Number of Issued Shares : 176,888,839
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	207	7.22	1,542	0.00
100 to 1,000	1,589	55.40	587,890	0.33
1,001 to 10,000	769	26.81	3,004,813	1.70
10,001 to 100,000	229	7.99	6,494,072	3.67
100,001 to less than 5% of issued shares	73	2.55	51,438,227	29.08
5% and above of issued shares	1	0.03	115,362,295	65.22
Total :	**2,868**	**100.00**	**176,888,839**	**100.00**

Substantial Shareholders' Shareholdings

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	65.22	-	-
Employees Provident Fund Board	9,052,600	5.12	-	-

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020 (CONTINUED)

3.1 ORDINARY SHARES (CONTINUED)

Director's Shareholdings

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

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

30 Largest Shareholders as in the Record of Depositors

No.	Name of Shareholders	No. of Shares Held	% of Shares
1	CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	115,362,295	65.22
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	5,413,500	3.06
3	PERTUBUHAN KESELAMATAN SOSIAL	5,278,522	2.98
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	3,612,300	2.04
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	3,011,800	1.70
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,913,000	1.65
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	2,808,400	1.59
8	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	2,157,400	1.22
9	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 1)	1,996,900	1.13
10	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	1,919,700	1.09
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	1,143,200	0.65
12	WOO KHAI YOON	1,075,700	0.61
13	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,053,900	0.60
14	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK)	1,000,000	0.57

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020 (CONTINUED)

3.1 ORDINARY SHARES (CONTINUED)

30 Largest Shareholders as in the Record of Depositors (Continued)

No.	Name of Shareholders	No. of Shares Held	% of Shares
15	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT INCOME FUND (4850)	924,975	0.52
16	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT ASIA (EX JAPAN) QUANTUM FUND (4579)	902,050	0.51
17	LIM SU TONG @ LIM CHEE TONG	802,000	0.45
18	NEOH CHOO EE & COMPANY, SDN. BERHAD	760,500	0.43
19	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	746,005	0.42
20	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	562,925	0.32
21	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD CIMB ISLAMIC TRUSTEE BERHAD FOR AFFIN HWANG SELECT DIVIDEND FUND	541,400	0.31
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR HONG LEONG ASSURANCE BERHAD (PAR-220082)	532,300	0.30
23	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-AHAM) (420317)	519,400	0.29
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	509,300	0.29
25	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	500,000	0.28
26	DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET LUXEMBOURG FUND WLGK FOR GOODHART PARTNERS HORIZON FUND - HMG GLOBAL EMERGING MARKETS EQUITY FUND	475,000	0.27
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN ABSR EQ)	442,000	0.25
28	AMANAHRAYA TRUSTEES BERHAD PUBLIC SELECT TREASURES EQUITY FUND	423,300	0.24
29	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN AMA EQ)	400,900	0.23
30	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	391,600	0.22

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020 (CONTINUED)

3.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Number of Issued ICPS : 169,316,946

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 one 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	25	4.24	470	0.00
100 to 1,000	315	53.39	81,523	0.05
1,001 to 10,000	161	27.29	578,568	0.34
10,001 to 100,000	66	11.18	1,914,159	1.13
100,001 to less than 5% of issued ICPS	22	3.73	22,539,358	13.31
5% and above of issued ICPS	1	0.17	144,202,868	85.17
Total :	**590**	**100.00**	**169,316,946**	**100.00**

Substantial Shareholder's ICPS Holdings

	Direct Interest		Indirect Interest	
Name of Substantial Shareholder	No. of ICPS Held	% of ICPS	No. of ICPS Held	% of ICPS
Allianz SE	144,202,868	85.17	-	-

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020 (CONTINUED)

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

30 Largest ICPS Holders as in the Record of Depositors

No.	Name of ICPS Holders	No. of ICPS Held	% of ICPS
1	CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	144,202,868	85.17
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	5,624,400	3.32
3	PERTUBUHAN KESELAMATAN SOSIAL	4,532,500	2.68
4	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,458,500	2.04
5	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	2,771,000	1.64
6	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,556,458	0.92
7	OLIVE LIM SWEE LIAN	1,079,900	0.64
8	HSBC NOMINEES (ASING) SDN BHD CACEIS BANK FOR HMG GLOBETROTTER	687,900	0.41
9	AU YONG MUN YUE	500,000	0.30
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	285,700	0.17
11	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	220,000	0.13
12	LOH CHAI KIAM	204,000	0.12
13	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	200,000	0.12
14	DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET LUXEMBOURG FUND WLGK FOR GOODHART PARTNERS HORIZON FUND - HMG GLOBAL EMERGING MARKETS EQUITY FUND	200,000	0.12
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NOBLE SOUND SDN BHD (PB)	175,000	0.10
16	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	150,000	0.09
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG	136,800	0.08
18	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	133,100	0.08

ADDITIONAL COMPLIANCE INFORMATION

3. ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2020 (CONTINUED)

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

30 Largest ICPS Holders as in the Record of Depositors (Continued)

No.	Name of ICPS Holders	No. of ICPS Held	% of ICPS
19	LIM TEAN KAU	126,000	0.07
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG (E-IMO)	125,100	0.07
21	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KATHRYN MA WAI FONG (PB)	125,000	0.07
22	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	125,000	0.07
23	EVERGREEN ANGLE SDN BHD	123,000	0.07
24	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOKE PIK WAH (MY0288)	100,000	0.06
25	INSAS PLAZA SDN BHD	90,900	0.05
26	SAI YEE @ SIA SAY YEE	73,000	0.04
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH EWE JIN (MY0829)	72,400	0.04
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIAN LING	70,000	0.04
29	GAN PUAY GEOK	60,000	0.04
30	TAN LEE HWA	55,000	0.03

ADDITIONAL COMPLIANCE INFORMATION

4. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2019 OWNED BY THE GROUP

No.	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Wilayah Persekutuan		Freehold		Corporate office	17 years		
	Level 10 and 12	Head office		1,493			4/7/2016	16,208
	Level 13A	Head office		745			20/9/2017	7,502
	Level 13 & 15	Investment properties		1,493			9/8/2018	16,315
2	Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur Wilayah Persekutuan	Branch office	Lot PT1-Leasehold Expiring 06/09/2072	3,672	Office building	38 years	17/10/2016	3,971
			Lot 263 Freehold			36 years	17/10/2016	7,032
3	Wisma Allianz Life No. 11, 12, 13 and 14 Jalan 53 Desa Jaya Commercial Centre Taman Desa, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 08/03/2081	2,500	Terrace shop/ office	20 years	31/10/2019	9,567
4	No. 42 & 46, Jalan Tiara 2C Bandar Baru Klang, Klang 41150 Selangor Darul Ehsan	Branch Office	Leasehold Expiring 08/05/2093	1,228	Terrace shop/ office	16 years	26/11/2015	4,585
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	15 years	29/09/2015	2,865
6	No. 1, Phase 4A, Metro Prima Business Centre Jalan Prima 9 Kepong, 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 28/04/2096	1,195	Terrace shop/ office	22 years	1/11/2016	2,453

ADDITIONAL COMPLIANCE INFORMATION

4. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2019 OWNED BY THE GROUP (CONTINUED)

No.	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
7	No. 15, Jalan 8/1D Section 8, 46050 Petaling Jaya, Selangor	Branch office	Leasehold Expiring 07-08-2066	697	Terrace shop/ office	17 years	1/11/2016	2,011
8	No. 487, Jalan Permatang Rawa Bandar Perda Bukit Mertajam, 14000 Penang	Branch office	Freehold	758	4-storey shop office	16 years	25/11/2015	2,006
9	No. 300 & 301 Jalan Lumpur, 05100 Alor Star, Kedah Darul Aman	Branch office	Freehold	1,088	3 storey shophouse	15 years	19/10/2016	1,836
10	TB 320, Block 38, Fajar Complex Tawau, Sabah	Branch office	Leasehold 31/12/2895	613	4 storey shophouse	22 years	14/10/2016	1,769

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 2019 were as follows:-

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
1	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	(208,052)
2	Payment of annual maintenance and support fees by the Company's insurance subsidiaries to Allianz Technology SE ("Allianz Technology") for the software system provided by Allianz Technology	**Allianz Technology	(363)
3	Payment of fees by the Company's insurance subsidiaries to Allianz Technology for purchasing of various software licenses	**Allianz Technology	(3,814)
4	Payment of fees by the Company's insurance subsidiaries to Allianz Technology for the leasing of license services of Thunderhead solution for the implementation of E-Policy	**Allianz Technology	(69)
5	Payment of fees by the Company's life insurance subsidiary to IDS GmbH ("IDS") for conducting performance attribution analysis	**IDS	(20)
6	Investment and redemption of funds (including fund management fees) distributed by Allianz Global Investors Singapore Limited ("AGI") by the Company's life insurance subsidiary	**AGI	1,099
7	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	(2,487)
8	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	(328)
9	Payment of fees by the Company's insurance subsidiaries to Allianz Investment Management SE ("AIM SE") and IDS for IT infrastruture and operational investment controlling and support services	**AIM SE **IDS	(165)
10	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	(380)
11	Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(2,292)
12	Payment of fees by the Company's insurance subsidiaries to Allianz SE for sharing of Global Procurement (excluding IT) services and support rendered by Allianz SE	**Allianz SE	(94)
13	Payment of fees by the Company's insurance subsidiaries to Allianz SE Singapore Branch ("AZAP") for the business building advisory services and regional investment provided by AZAP	**AZAP	(3,471)
14	Payment of fees by the Company's insurance subsidiaries to Allianz SE on the support of design and development for Global Digital Factory	**Allianz SE	(52)
15	Payment of fees by the Company's insurance subsidiaries to Allianz SE for IT Security services	**Allianz SE	(245)

ADDITIONAL COMPLIANCE INFORMATION

5. RECURRENT RELATED PARTY TRANSACTIONS (CONTINUED)

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
16	Payment of service fees by the Company's general insurance subsidiary to Allianz Worldwide Partners Services Sdn Bhd ("AWP") for road assistance services provided by AWP to the policyholders of the Company's general insurance subsidiary	**AWP	(1,776)
17	Payment of fees by the Company's general insurance subsidiaries to Allianz SE to support the development and improvement of technical excellence	**Allianz SE	(1,858)
18	Payment of fees by the Company's general insurance subsidiary to Allianz SE for the usage of software licenses purchased by Allianz SE from Willis Towers Watson	**Allianz SE	(38)
19	Payment of fees by the Company's life insurance subsidiary to Allianz SE for the development of Allianz One Finance Programme	**Allianz SE	(34)
20	Operational fees received by the Company's general insurance subsidiary for the services rendered by the Company's general insurance subsidiary to Euler Hermes Singapore Services Pte Ltd ("EHS")	**EHS	2,559
21	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	245
22	Fees received by the Company for providing life actuarial modeling services to Allianz SE Group under the Regional Actuarial Center of Competence	**Allianz SE Group	1,252
23	Payment of fees by the Group to Allianz Technology for the implementation of Allianz Global Network	**Allianz Technology	(670)
24	Payment of fees by the Company to Allianz Technology to support the implementation and maintenance of infrastructure for actuarial modeling and recharge of cost incurred to Allianz SE Group	**Allianz Technology	(306)
25	Payment of fees by AGIC and ALIM to AZAP for subscription of ABACUS, an enterprise architect software	**AZAP	(15)
26	Fees received by AMB for providing audit services to Allianz SE Group under the Regional Audit Hub	**Allianz SE Group	405
27	Payment of fees by the Company's insurance subsidiaries to Rapidpro Consulting Sdn Bhd ("Rapidpro") for consulting and training services rendered by Rapidpro	Rapidro	(1,845)

Notes:

* As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.

** Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.

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

MEDIA HIGHLIGHTS

ALLIANZ FINANCIALS

ALLIANZ 首季净利升 13%
总保费收入微扬 4.2%

（吉隆坡 24 日讯）总保费收入增加，ALLIANZ（ALLIANZ，1163，主板金融股）截至 3 月杪 2019 财年首季，净利按年提升 13.4% 至 9891 万 7000 令吉，每股净利达 55.97 仙。

ALLIANZ 昨天向交易所报备，当季总保费收入报 12.1 亿令吉，比上财年同季的 11.6 亿令吉多 4.2%。

总执行长扎克里通过文告说：“在大马首季经济增长放缓之际，ALLIANZ 业务仍保持动力，首季总保费收入录得 12.1 亿令吉。”

首季营业额也年增 5.73%，从上财年的 12 亿 7140 万 6000 令吉，增加至 13 亿 4429 万 5000 令吉。

根据文告，子公司 ALLIANZ 普险该季保费收入跌 6.4%，至 3940 万令吉；总资产年起 3.1% 至 62.2 亿令吉，上财年同季为 60.3 亿令吉。

不过，ALLIANZ 普险的综合成本率报 91.3%，比上财年同季的 90.6% 高。

另外，子公司 Allianz 寿险录得 6 亿 5790 万令吉总保费收入，增幅达 15%；首季总资产也年涨 9.9% 至 114.1 亿令吉。

“根据大马寿险工会数据显示，Allianz 寿险以 8% 的市占率，在该领域排名第 5。”

Allianz sows seeds in Greater KL, Malaysia to reap regional harvest

Malaysian Assets Grow, Bucking Global Trend

Focus Malaysia 20 Sep 2019 14:41

A+ A A-

According to the tenth addition of *Allianz's Global Wealth Report*, which puts the asset and debt situation of households in more than 50 countries/regions under the microscope, financial assets in 2018 across industrial and emerging countries/regions declined simultaneously for the first time.

However, the gross financial assets of Malaysian households rose by 5.0% in 2018, bucking the trend. It was, however, the weakest increase since the financial crisis in 2008 – but one of the strongest in the region.

In general terms, savers worldwide found themselves in a bind due to the escalating trade conflict between the US and China, Brexit and increasing geopolitical tensions, the tightening of monetary conditions and the (announced) normalization of monetary policy. The stock markets reacted accordingly, with global equity prices falling by around 12% in 2018, which had a direct impact on asset growth. Global gross financial assets of private households fell by 0.1% and remained more or less flat at EUR 172.5 trillion.

"The increasing uncertainty takes its toll", said **Michael Heise, chief economist of Allianz Group.** "The dismantling of the rule-based global economic order is poisonous for wealth accumulation. The numbers for asset growth also make it evident: Trade is a no zero-sum game. Either all are on the winning side – as in the

Allianz Malaysia: Insurance industry must remain relevant in the face of distrust

Life segment buoys Allianz's Q3 bottom line

Allianz Malaysia sees RM1.21 billion in premiums this year

Amidst slower growth for Malaysian economy in the first quarter of 2019, Allianz Malaysia remained resilient to deliver RM1.21 billion in GWP.

Zakri Khir

ALLIANZ 寿险业务适度增长

Better showing at Agic, Alim to help with Allianz Malaysia's net profit

Allianz Malaysia Bhd (March 21, RM14.48)

Maintain buy with a target price of RM16.30: Allianz Malaysia Bhd remains a country top pick. With gross domestic product (GDP) growth projected at 4.6% for 2019, the insurance industry is likely to see extended softness in business growth. Still, we believe the company will continue to deliver above-average gross written premium (GWP) growth and respectable FY19F-20F (forecast) earnings growth of 5-6% per annum (pa).

The general insurance industry saw muted 1.5% GWP growth in 2018 and is expected to register another year of slow growth in 2019. Allianz General Insurance Company (Agic), which recorded 6% year-on-year (y-o-y) growth in bancassurance GWP in 2018, should continue to do better than peers, helped by its diversified portfolio and focus on delivering value to customers. Agic sees opportunities in the commercial SME segment, residential property sector, and the digital space. Recall that Agic's Banca partnership with CIMB Bank ended in August 2017, after which a new 15-year partnership with Standard Chartered Bank commenced.

Besides resiliency in the company's GWP growth, we believe Agic's profits would also be supported by gradual improvement in its combined ratio of 92.8% in FY18 (industry: 91.7%). Agic plans to increase its mix of non-motor business, from 40% of GWP to about 50% over time.

We raised the group's projected net profit by 4%-5% for FY19F-20F after factoring in improved expense ratio for Agic and stronger GWP for Alim.

The lower claims experience of its non-motor portfolio would eventually result in improved claims ratio for Agic, which in turn, would lead to an improved combined ratio.

Allianz Life Insurance Malaysia's (Alim) annualised new premium (ANP) growth has picked up strongly from 5-6% pa during FY14-16 to 15.3% in FY17, and 13.3% in FY18. This has led to an expanding market share of annualised new business — from 6.6% in 2016 to 8.4% in 2018. The healthy increase in ANP underpins Alim's ability to deliver sustained growth in GWP and pretax profits. We expect Alim's GWP to grow by 10% and 9% in FY19F-20F.

We raised the group's projected net profit by 4%-5% for FY19F-20F after factoring in improved expense ratio for Agic and stronger GWP for Alim. Our SOP-derived TP is upgraded to MYR16.30, which implies 1.6 times FY19F forward P/BV (historical average: 1.5 times). — *RHB Research, March 21*

Allianz Malaysia Bhd

FYE DEC (RM MIL)	2017	2018	2019F	2020F	2021F
Net premium revenue	3,928	4,180	4,517	4,859	5,202
Reported net profit	288	377	401	421	446
Net profit growth (%)	(7.7)	30.9	6.4	5.0	5.8
Recurring net profit	309	377	401	421	446
Recurring EPS (RM)	0.89	1.09	1.16	1.22	1.29
DPS (RM)	0.12	0.40	0.43	0.45	0.48
Recurring PER (x)	16.1	13.2	12.4	11.8	11.2
P/B (x)	1.6	1.5	1.4	1.3	1.2
Dividend yield (%)	0.8	2.8	3.0	3.1	3.3
ROAE (%)	10.3	11.6	11.6	11.4	11.3
ROAA (%)	1.83	2.22	2.24	2.22	2.20

Sources: Company data, RHB

Allianz managed assets hit record in 1Q

壽險業務表現佳 ALLIANZ淨利漲43%

MEDIA HIGHLIGHTS

ALLIANZ IN THE COMMUNITY

COVERAGE

BUILDING A SOCIALLY INCLUSIVE WORLD

Allianz Malaysia has long embraced the culture of diversity and social inclusion, reaching out to underserved communities through an array of initiatives.

Allianz辦2場宣傳活動 灌輸道路安全意識

Allianz Malaysia menaja pemasangan panel solar untuk SAMH

Children from Chow Kit Foundation exploring the many interactive activities at the museum.

Schooling children in financial literacy

Insurer teaches them about handling money responsibly

5 MOVIE TREAT FOR NEEDY CHILDREN

The Allianz Malaysia Bhd customer service team and Allianz4Good hosted children from five welfare homes to a special *Avengers: Endgame* movie screening at TGV Sunway Putra Mall. A total of 162 people attended the screening, including children from Pertubuhan Kebajikan Anak Yatim Mary, Lighthouse Children Welfare Home Association, United Learning Centre, Yayasan Chow Kit and SOLS 24/7 as well as Allianz Malaysia customer service employees.

Every Wednesday, StarMetro dedicates a page for corporate-related events and launches. If you have anything interesting to share, email us at metro@thestar.com.my

Insurer embraces inclusivity by hiring people with disabilities

Allianz galak kakitangan buat kerja amal

KAKITANGAN Allianz mengutip sampah membersihkan salah sebuah pantai di negara ini bagi memenuhi inisiatif Allianz4Good.

Race raises RM28,000 for Down syndrome foundation

KUALA LUMPUR

Allianz equips employees to REACT to crime

MEDIA HIGHLIGHTS

BEST ALLIANZ

First 'neujahrskonzert' held in M'sia

Classical music concert gives a taste of German new year tradition

Football camp makes their dreams come true

Talented youths enjoy German stint through grassroots initiative

10 pemain dipilih ke Singapura

PENGHARGAAN: Allianz Malaysia akan membawa konsert Allianz Rocks ke Kota Kinabalu pada 26 Februari ini.

Allianz Rocks bakal gegarkan Kota Kinabalu 26 Februari ini

Oleh Adriana Mosen Ambrose

KUALA LUMPUR: Allianz Malaysia akan membawa konsert Allianz Rocks ke Kota Kinabalu pada 26 Februari 2019.

Konsert yang menampilkan Papa Rock Datuk Ramli Sarip dan kugiran tempatan Ruhh akan diadakan di Oceans Waterfront Mall.

Ketua Pegawai Eksekutif Allianz Malaysia Berhad Zakri Khir berkata, Allianz Malaysia telah menganjurkan konsert Allianz Rocks yang pertama di Panggung Anniversari, Kuala Lumpur November lalu yang memaparkan Ramli dan Ruhh. Allianz Rocks di Kota Kinabalu ini merupakan konsert ulangan kepada acara tersebut.

"Kali ini, kita akan membawa konsert ini ke Kota Kinabalu sebagai ucapan terima kasih kepada rakyat Sabah atas kesetiaan mereka. Tambahan pula, kita sangat gembira bahawa Ramli Sarip dan Ruhh akan tampil di pentas yang sama sekali lagi," katanya.

"Saya yakin ramai akan bersetuju bahawa persembahan Datuk Ramli tiada tandingan dan Ruhh membuktikan bahawa mereka boleh bermain muzik dengan bagus di samping salah seorang rocker terkenal. Jadi jangan lupa untuk datang dan bersuka ria bersama Allianz, Ramli Sarip dan Ruhh," tambah Zakri.

與管理層一起捞生 安聯保險訪本報拜年

IJM置地8月办半马拉松赛

ALLIANZ TAKES NO 1 RANKING AS BEST INSURANCE BRAND

Allianz Group was recently named the No 1 insurer on the 2019 Interbrand Best Global Brand Rankings. Across all brands measured, Allianz's brand value increased from US$10.8 bil in 2018 to US$12.1 bil this year and climbed six places from No 49 to No 43 across all industries.

Allianz Malaysia Bhd chief executive officer Zakri Khir said: "It is a feather in our cap and Allianz Malaysia is proud to have contributed to the brand's success in becoming the global brand leader in insurance. Like our counterparts all over the world, we have always been focused on winning people over through service and trust.

"This milestone is proof that we have got our strategy down pat, with everyone from our employees, agents and brokers focused on being important and relevant partners in the lives of our customers and invertors."

The Allianz Group is one of the world's leading insurers and asset managers, operating in more than 80 countries with more than 92 million retail and corporate customers. Allianz customers benefit from a broad range of personal and corporate insurance services, ranging from property, life and health insurance to assistance services to credit insurance and global business insurance.

Inspiring runners to test their limits

Event pushes participants to achieve their personal best in three categories

All geared up for the challenge

Allianz's Hari Raya do in KL draws 2,000 guests

SIBU: About 2,000 guests joined the Hari Raya Aidilfitri gathering hosted by Allianz Malaysia Berhad at Sunway Resort Hotel and Spa in Kuala Lumpur last Friday from 3pm to 8pm.

In a press statement yesterday, Chief Executive Officer of Allianz Malaysia Berhad, Zakri Khir said they treated their guests to a delectable Hari Raya buffet spread, including Sunway Resort's house specialty – Kambing Golek Cik Wan Molek with Percik Sauce.

"Hari Raya open house is unique as it brings people from all walks of life together to celebrate and embrace diversity."

Zakri Khir said for corporates like Allianz Malaysia, it was a wonderful way to celebrate the festival and extend their appreciation to their employees, business partners and press friends.

1 From left: Allianz Life Insurance Malaysia Bhd COO Stefan Ritz, Allianz Malaysia Bhd CEO Zakri Khir, Allianz General Insurance Company (Malaysia) Bhd chief sales officer Horst Habbig, Allianz Life deputy chief sales officer Raymond Cheah and CEO Joseph Gross at Allianz Malaysia's Chinese New Year celebration on Feb 12.

MEDIA HIGHLIGHTS

LIFE OPERATIONS


Allianz Life banks on quality agents, new products and digitalisation to steer growth

By GANESHWARAN KANA

Gross: We are constantly looking at providing new, simplified products to our clients.

INSURANCE PLAN OFFERS SECURITY FROM THE START

Allianz Malaysia introduces Prime Care+

ALLIANZ Malaysia Bhd has launched Prime Care+ which is the first critical illnesses (CI) policy in the market to cover more than 150 critical illnesses including Kawasaki disease with heart complications, severe rheumatoid arthritis, severe ulcerative colitis and early melanoma. "Being unable to work and earn a living while you are recovering from a lengthy illness is not an easy situation to be in, especially when having commitments

Allianz Life Insurance Malaysia Bhd (Allianz Life) honoured 1,300 agents at the Agency Awards Nite 2019 at the First World Hotel, Genting International Convention Centre in Genting Highlands with the theme 'Night of Perfect 10' on May 24. Gracing the event were Allianz Life Insurance Malaysia Bhd CEO Joseph Gross (right), NPG Agency agency manager Datuk Norman Pang (centre) and his wife Datin Maggie Lau.

適時為生活增加保障
避免重疾
影響身心與財務

提供財务安全网

勇於開創新局
成爲改變人生的推手

Allianz壽險 持续给予代理员所需帮助

趁年轻做好保险规划
Allianz保障美丽人生

Allianz Malaysia offers products for the disabled

集合6领域专家主讲
Allianz办论坛探讨癌症治疗

推出2全新產品
安聯提供更好醫療保障

MEDIA HIGHLIGHTS

PROPERTY AND CASUALTY OPERATIONS

5 Allianz Malaysia Bhd CEO Zakri Khir (left) with Allianz General Insurance Company (Malaysia) Bhd chief sales officer Horst Habbig at the unveiling of Allianz General's latest product Allianz Motorcycle Plus on April 19. The product, which provides motorcycles under 245cc added protection at no extra cost, will be available from May 1.

(From left) Pekat Solar managing director Wee Chek Aik, Allianz Malaysia Bhd chief executive officer (CEO) Zakri Khir and Anora Agency CEO Samuel Soon at the signing of memorandum of understanding in Kuala Lumpur yesterday.

MEMORANDUM OF UNDERSTANDING

ALLIANZ, PEKAT SIGN SOLAR PACT

Insurer to provide PV installer protection via Anora

KUALA LUMPUR

ALLIANZ General Insurance Co (Malaysia) Bhd and its agency partner Anora Agency Sdn Bhd have signed a memorandum of understanding (MoU) with Pekat Solar Sdn Bhd to further their commitment to promoting solar energy as the nation's primary source of energy generation.

As one of the pioneers in the local renewable energy scene, Pekat Solar has contributed directly to the rapid rise of solar as an alternative energy source in the country.

Pekat Solar was the first solar photovoltaic (PV) installer in Malaysia to receive the ISO 50001: 2011 Energy Management System certification and is recognised by Sustainable Energy Development Authority as a certified PV provider for both on-grid and off-grid solar PV systems.

Through the MoU, Pekat Solar's business, assets and projects will be protected by a range of insurance solutions, including the SolarPro All-Risks Insurance, which is exclusively distributed by Anora, with Allianz General as its principal insurer.

"Consumer protection is at the forefront of the solar industry and is exactly what is needed to drive and sustain the adoption of renewable energy," said Allianz Malaysia Bhd chief executive officer Zakri Khir.

"As such, our role as insurers is to support local players in the solar PV industry as well as fill the protection gap in the solar PV ecosystem," he added.

Allianz General is part of the Allianz Group in Munich, Germany, which has joined the RE100 initiative, led by the global initiative "The Climate Group", working with businesses and governments to address climate change.

The company has committed to sourcing 100 per cent of its global electricity needs from renewable sources by no later than 2023, an initiative Allianz Malaysia is ready to support.

ALLIANZ GENERAL PERCEPAT URUSAN TUNTUTAN BANJIR DI TIGA LOKASI

BERITA DOMESTIK OLEH MOHAMAD HANIF | 13-11-2019

Allianz General Insurance Company (Malaysia) Berhad telah menugaskan tiga kenderaan 4x4 berjenama dan karavan tuntutannya untuk embantu pelanggan dengan tuntutan banjir menjela usim tengkujuh ini.

rmula 7 November, kenderaan 4x4 ini akan ditemp cawangan Allianz General di Ipoh, Pulau Pinang kit Mertajam serta Kota Bharu, manakala ka ntutan akan ditempatkan di Segamat, Kluang dan hru untuk mempercepatkan tuntutan banjir bagi s

6 Allianz Malaysia Bhd organised a media forum — Smart Home, Safe Home — together with Real Estate and Housing Developers' Association Malaysia (Rehda) and the Fire and Rescue Department of Malaysia (Bomba) in Kuala Lumpur on May 9. The panellists were (from left) Bomba director of fire safety section Edwin Galan Teruki, Allianz General Insurance Co (M) Bhd chief sales officer Horst Habbig; Rehda president Datuk Soam Heng Choon, Allianz Malaysia CEO Zakri Khir and Malaysian Press Institute chairman and CEO Datuk Dr Chamil Wariya.

Tawar insurans di hujung jari

Kadar perlindungan kediaman masih rendah

KUALA LUMPUR: Kadar perlindungan bangunan kediaman di Malaysia dilihat masih rendah dan membimbangkan iaitu hanya dua juta daripada lapan juta pemilik rumah negara ini yang memiliki insurans.

Ketua Pegawai Jualan Allianz General Insurance Company (Malaysia) Berhad (Allianz), Horst Habbig berkata, mereka yang memiliki rumah digalakkan untuk memiliki insurans kediaman sebagai langkah untuk melindungi bangunan kediaman sekiranya ditimpa sebarang kecelakaan dan bencana alam.

Beliau berkata, sesebuah rumah adalah lebih daripada sekadar pelaburan yang tinggi sebaliknya ia adalah tempat berteduh untuk individu dan keluarga malah, mungkin ada yang menjadikannya sebagai sumber pendapatan penyewaan.

BISNES

Tiada yang percuma

1 From left: Allianz General Insurance Company (M) Bhd chief sales officer Horst Habbig, Allianz Malaysia Bhd CEO Zakri Khir, Allianz General Insurance Kota Kinabalu and Sandakan area manager Jimmy Hee, Allianz Life Insurance Malaysia Bhd CEO Joseph Gross and Allianz Life Insurance (M) Bhd chief sales officer Ong Pin Hean launching the new

FINANCIAL STATEMENTS

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors have pleasure in submitting their report and the audited financial statements of the Group (Allianz Malaysia Berhad and its subsidiaries) and of the Company for the financial year ended 31 December 2019.

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
Net profit for the year attributable to owners of the Company	492,478	196,073

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2018:

- a single tier interim dividend of 48.00 sen per Irredeemable Convertible Preference Share ("ICPS") totalling RM81,368,000 were paid on 15 February 2019; and
- a single tier interim dividend of 40.00 sen per ordinary share totalling RM70,675,000 were paid on 15 February 2019.

(ii) In respect of the financial year ended 31 December 2019:

Interim Dividend

- a single tier interim dividend of 61.20 sen per ICPS totalling RM103,623,000 were paid on 14 February 2020;
- a single tier interim dividend of 51.00 sen per ordinary share totalling RM90,213,000 were paid on 14 February 2020;

Special Dividend

- a single tier special dividend of 16.80 sen per ICPS totalling RM28,445,000 were paid on 14 February 2020; and
- a single tier special dividend of 14.00 sen per ordinary share totalling RM24,764,000 were paid on 14 February 2020.

The Directors do not recommend any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS OF THE COMPANY

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

Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman)
Dato' Dr. Thillainathan A/L Ramasamy
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz
Marzida Binti Mohd Noor
Solmaz Altin
Claudia Salem (Appointed on 30 June 2019)
Peter Ho Kok Wai (Appointed on 1 October 2019)
Renate Wagner (Resigned on 30 June 2019)
Foo San Kan (Retired on 30 September 2019)

LIST OF DIRECTORS OF THE SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and during the period from the end of the financial year to the date of this report is as follows:

Allianz Life Insurance Malaysia Berhad	Allianz General Insurance Company (Malaysia) Berhad
Goh Ching Yin (Appointed as Chairman on 3 October 2019)	Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman)
Dato' Dr. Thillainathan A/L Ramasamy	Tunku Zain Al-'Abidin Ibni Tuanku Muhriz
Peter Ho Kok Wai	Goh Ching Yin
Datuk Gnanachandran A/L S. Ayadurai (Appointed on 27 September 2019)	Datuk Gnanachandran A/L S. Ayadurai (Appointed on 1 October 2019)
Joseph Kumar Gross	Zakri Bin Mohd Khir
Foo San Kan (Retired on 24 September 2019)	Peter Ho Kok Wai (Resigned on 1 October 2019)

DIRECTORS' INTERESTS IN SHARES

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

	Number of ordinary shares			
Interests in the Company:	At 1.1.2019	Bought	Sold	At 31.12.2019
Dato' Dr. Thillainathan A/L Ramasamy*	6,400	-	-	6,400

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

Saved as disclosed above, none of the other Directors holding office as at 31 December 2019 had any interest in the ordinary shares and/or ICPS of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 29.2 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

HOLDING COMPANY

The Directors regard Allianz SE, a public listed company incorporated and domiciled in Germany, as the Company's holding company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

ISSUE OF SHARES

During the financial year, the Company increased its ordinary shares to 176,887,639 by the issuance of 199,200 ordinary shares pursuant to the conversion of 199,200 ICPS. Accordingly, the ICPS of the Company was reduced to 169,318,146 as at 31 December 2019. As at 31 December 2019, the total share capital of the Company amounted to RM771,028,887.

All the new ordinary shares issued rank ***pari passu*** in all respects with the existing ordinary shares of the Company except that the new shares shall not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date is prior to the allotment date of the new ordinary shares.

Save as disclosed above, there were no other changes in the issued share capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

The Group and the Company maintain a Directors' and Officers' Liability Insurance for the purpose of Section 289(5) of the Companies Act 2016 in Malaysia, throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company. The amount of insurance premium paid during the financial year amounted to RM53,923.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

INDEMNITY AND INSURANCE COSTS (CONTINUED)

There was no indemnity given to, or insurance effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

However, in the ordinary course of business of a subsidiary in the underwriting of all classes of general insurance business, provided a professional indemnity insurance to its auditors during the financial year.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:-

(i) all known bad debts have been written off and adequate provision made for doubtful debts;

(ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise; and

(iii) there was adequate provision for insurance contract liabilities in the Group in accordance with the valuation methods specified in Part D of the Risk-Based Capital ("RBC") Framework issued by Bank Negara Malaysia ("BNM").

At the date of this report, the Directors are not aware of any circumstances:-

(i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts and insurance contract liabilities in the Group and in the Company inadequate to any substantial extent, or

(ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

(iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

(iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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. 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 2019 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept re-appointment as auditors.

The auditors' remuneration is disclosed in Note 29 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....	....
Tan Sri Datuk (Dr.) Rafiah Binti Salim	**Dato' Dr. Thillainathan A/L Ramasamy**
Director	**Director**

Kuala Lumpur

Date: 27 February 2020

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Assets					
Property, plant and equipment	3	87,284	113,528	796	852
Right-of-use assets	4	74,335	-	-	-
Intangible assets	5	370,580	359,264	-	-
Investment properties	6	20,155	19,914	-	-
Investments in subsidiaries	7	-	-	961,088	961,088
Subordinated loan	8	-	-	54,300	54,300
Deferred tax assets	18	-	14,051	-	-
Reinsurance assets	9	926,586	904,004	-	-
Investments	10	16,085,347	14,249,398	5,906	2,016
Derivative financial assets	11	62,177	26,059	-	-
Current tax assets		12,584	6,461	-	-
Insurance receivables	12	195,352	228,103	-	-
Other receivables, deposits and prepayments	13	164,196	149,117	210,913	182,759
Deferred acquisition costs	14	111,423	95,060	-	-
Cash and cash equivalents		1,600,053	1,239,635	21,927	9,524
Total assets		19,710,072	17,404,594	1,254,930	1,210,539
Equity					
Share capital					
– Ordinary shares	15	232,597	231,964	232,597	231,964
– Irredeemable Convertible Preference Shares	15	538,432	539,065	538,432	539,065
Reserves	16	2,902,540	2,590,668	233,476	284,448
Total equity attributable owners of the Company		3,673,569	3,361,697	1,004,505	1,055,477
Liabilities					
Insurance contract liabilities	17	14,422,224	12,789,873	-	-
Deferred tax liabilities	18	356,014	250,267	135	142
Derivative financial liabilities	11	1,244	2,413	-	-
Lease liabilities	19	57,124	-	-	-
Insurance payables	20	424,051	427,770	-	-
Other payables and accruals	21	769,750	569,367	250,048	154,798
Current tax liabilities		6,096	3,207	242	122
Total liabilities		16,036,503	14,042,897	250,425	155,062
Total equity and liabilities		19,710,072	17,404,594	1,254,930	1,210,539

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Operating revenue	22	5,534,374	5,181,929	203,148	162,863
Gross earned premiums	23(a)	4,848,449	4,547,016	-	-
Premiums ceded to reinsurers	23(b)	(346,188)	(366,724)	-	-
Net earned premiums		4,502,261	4,180,292	-	-
Investment income	24	685,925	634,913	203,148	162,863
Realised gains and losses	25	(8,710)	(21,192)	-	(2)
Fair value gains and losses	26	340,447	(313,675)	-	-
Fee and commission income	27(a)	55,437	28,675	-	-
Other operating income		51,826	29,363	234	249
Investment and other income		1,124,925	358,084	203,382	163,110
Gross benefits and claims paid	28(a)	(2,494,310)	(2,448,915)	-	-
Claims ceded to reinsurers	28(b)	172,269	211,441	-	-
Gross change in contract liabilities	28(c)	(1,242,316)	(503,073)	-	-
Change in contract liabilities ceded to reinsurers	28(d)	42,755	(104)	-	-
Net benefits and claims		(3,521,602)	(2,740,651)	-	-
Fee and commission expense	27(b)	(737,626)	(685,462)	-	-
Management expenses	29	(617,971)	(554,879)	(6,418)	(5,678)
Interest expense	30	(2,541)	(115)	-	(115)
Other operating expenses		(55,302)	(38,285)	(1)	(206)
Other expenses		(1,413,440)	(1,278,741)	(6,419)	(5,999)
Profit before tax		692,144	518,984	196,963	157,111
Tax expense	31	(199,666)	(141,963)	(890)	(764)
Profit for the year		492,478	377,021	196,073	156,347
Profit for the year attributable to:					
Owners of the Company		492,478	377,021	196,073	156,347
Basic earnings per ordinary share (sen)	32(a)	203.87	167.90		
Diluted earnings per ordinary share (sen)	32(b)	142.29	109.09		

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 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Profit for the year		492,478	377,021	196,073	156,347
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets					
Net gains/(losses) arising during the financial year		304,972	(72,290)	-	-
Realised gains transferred to profit or loss		(17,468)	(31,922)	-	-
Gains on cash flow hedge		20,960	3,220	-	-
Tax effects thereon		(38,574)	7,813	-	-
Change in insurance contract liabilities arising from net fair value change on					
AFS financial assets	17(a)	(200,584)	105,813	-	-
Cash flow hedge reserve	17(a)	(20,960)	(3,220)	-	-
Tax effects thereon	17(a)	17,724	(8,207)	-	-
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use assets		1,500	-	-	-
Tax effects thereon		(120)	-	-	-
Change in insurance contract liabilities arising from revaluation	17(a)	(1,099)	-	-	-
Tax effects thereon	17(a)	88	-	-	-
Total other comprehensive income for the year, net of tax		66,439	1,207	-	-
Total comprehensive income for the year, net of tax		558,917	378,228	196,073	156,347
Total comprehensive income attributable to: Owners of the Company		558,917	378,228	196,073	156,347

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company						
		Non-distributable					Distributable	
Group	Note	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Revaluation reserve RM'000	Fair value Reserve RM'000	Retained earnings - Life non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018		225,268	545,761	41,934	10,169	611,845	1,700,536	3,135,513
Total other comprehensive income for the year		-	-	-	1,207	-	-	1,207
Profit for the year		-	-	-	-	141,058	235,963	377,021
Total comprehensive income for the year		-	-	-	1,207	141,058	235,963	378,228
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		6,696	(6,696)	-	-	-	-	-
Dividends to owners of the Company	33	-	-	-	-	-	(152,044)	(152,044)
Total transactions with owners of the Company		6,696	(6,696)	-	-	-	(152,044)	(152,044)
At 31 December 2018		231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697
		Note 15	Note 15	Note 16.1	Note16.2	Note 16	Note 16	

* Non-distributable retained earnings comprise non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company						
		Non-distributable					*Distributable*	
Group	Note	Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Revaluation reserve RM'000	Fair value Reserve RM'000	Retained earnings-Life non-participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019		231,964	539,065	41,934	11,376	752,903	1,784,455	3,361,697
Total other comprehensive income for the year		-	-	369	66,070	-	-	66,439
Profit for the year		-	-	-	-	218,994	273,484	492,478
Total comprehensive income for the year		-	-	369	66,070	218,994	273,484	558,917
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		633	(633)	-	-	-	-	-
Dividends to owners of the Company	33	-	-	-	-	-	(247,045)	(247,045)
Total transactions with owners of the Company		633	(633)	-	-	-	(247,045)	(247,045)
At 31 December 2019		232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569
		Note 15	Note 15	Note 16.1	Note 16.2	Note 16	Note 16	

* Non-distributable retained earnings comprise non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

		Attributable to owners of the Company			
		Non-distributable		Distributable	
Company	Note	Share capital RM'000	Irredeemable Convertible Preference Shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2018		225,268	545,761	280,145	1,051,174
Profit for the year		-	-	156,347	156,347
Total comprehensive income for the year		-	-	156,347	156,347
Contributions by and distributions to owners of the Company					
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		6,696	(6,696)	-	-
Dividends to owners of the Company	33	-	-	(152,044)	(152,044)
Total transactions with owners of the Company		6,696	(6,696)	(152,044)	(152,044)
At 31 December 2018 /1 January 2019		231,964	539,065	284,448	1,055,477
Profit for the year		-	-	196,073	196,073
Total comprehensive income for the year		-	-	196,073	196,073
Contributions by and distributions to owners of the Company					
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		633	(633)	-	-
Dividends to owners of the Company	33	-	-	(247,045)	(247,045)
Total transactions with owners of the Company		-	-	(247,045)	(247,045)
At 31 December 2019		232,597	538,432	233,476	1,004,505
		Note 15	Note 15	Note 16	

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash flows from operating activities				
Profit before tax	692,144	518,984	196,963	157,111
Adjustments for:				
Investment income	(685,925)	(634,913)	(203,148)	(162,863)
Interest income	(706)	(662)	-	-
Interest expense	2,541	115	-	115
Realised losses from financial assets recorded in profit or loss	9,115	21,190	-	-
Fair value (gains)/losses on financial assets recorded in profit or loss	(359,293)	236,871	-	-
Purchase of available-for-sale ("AFS") financial investments	(1,245,946)	(1,107,398)	-	-
Maturity of AFS financial investments	739,192	539,488	-	-
Proceeds from sale of AFS financial investments	416,679	621,474	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	(381,391)	(515,041)	-	-
Maturity of DUIR financial investments	202,066	297,500	-	-
Proceeds from sale of DUIR financial investments	151,048	29,878	-	-
Purchase of held for trading ("HFT") financial investments	(1,277,036)	(1,207,619)	-	-
Maturity of HFT financial investments	155,050	80,000	-	-
Proceeds from sale of HFT financial investments	396,735	444,848	-	-
Change in loans and receivables	(385,861)	(132,287)	(3,853)	-
Change in amortised cost investment assets	-	-	-	7,718
Change in fair value of investment properties	(241)	-	-	-
Unrealised foreign exchange (gain)/loss	(238)	902	-	-
Depreciation of property, plant and equipment	15,488	16,618	350	287
Depreciation of right-of-use assets	18,154	-	-	-
Amortisation of intangible assets	20,110	17,631	-	-
(Gain)/loss on disposal of property, plant and equipment	(405)	2	-	2
Impairment loss on AFS financial investments	19,087	76,804	-	-
Property, plant and equipment written off	1,128	509	1	3
Insurance and other receivables:				
– Bad debts written off	236	3,080	-	-
– Allowance for/(Reversal of) impairment loss	3,007	(13)	-	-
– Bad debts recovered	(54)	(83)	-	-
Operating (loss)/gain before changes in working capital	(1,495,316)	(692,122)	(9,687)	2,373

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Changes in working capital:				
Change in reinsurance assets	(22,582)	4,432	-	-
Change in insurance receivables	32,649	20,308	-	-
Change in other receivables, deposits and prepayments	(13,483)	(23,791)	12,009	(17,555)
Change in insurance contract liabilities	1,427,520	595,898	-	-
Change in deferred acquisition costs	(16,363)	(1,004)	-	-
Change in insurance payables	(3,719)	(2,994)	-	-
Change in other payables and accruals	105,382	23,954	249	54
Cash generated from/(used in) operations	14,088	(75,319)	2,571	(15,128)
Tax paid	(121,796)	(119,443)	(777)	(784)
Dividends received	82,734	57,687	159,630	79,625
Interest income received	595,235	570,115	3,318	3,405
Interest paid on lease liabilities	(2,541)	-	-	-
Net cash from operating activities	567,720	433,040	164,742	67,118
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	5,185	173	-	-
Acquisition of property, plant and equipment	(14,827)	(14,823)	(295)	(136)
Acquisition of intangible assets	(35,692)	(12,449)	-	-
Proceeds from disposal of intangible assets	6,375	-	-	-
Net cash used in investing activities	(38,959)	(27,099)	(295)	(136)
Cash flows from financing activities				
Dividends paid to owners of the Company	(152,044)	(45,649)	(152,044)	(45,649)
Interest paid	-	(1,254)	-	(1,254)
Repayment of advance to holding company	-	(54,300)	-	(54,300)
Repayment of lease liabilities	(16,299)	-	-	-
Net cash used in financing activities	(168,343)	(101,203)	(152,044)	(101,203)
Net increase/(decrease) in cash and cash equivalents	360,418	304,738	12,403	(34,221)
Cash and cash equivalents at 1 January	1,239,635	934,897	9,524	43,745
Cash and cash equivalents at 31 December	1,600,053	1,239,635	21,927	9,524
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	1,538,291	1,163,241	20,487	7,489
Cash and bank balances	61,762	76,394	1,440	2,035
	1,600,053	1,239,635	21,927	9,524

Included in the fixed and call deposits are RM69,091,000 (2018: RM74,415,000) held as cash collateral for guarantees issued on behalf of the policyholders (Note 20).

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

GROUP AND COMPANY

Reconciliation of liabilities arising from financing activities

	Advance from holding company			
	Principal RM'000	Interest Payable RM'000	Lease liabilities RM'000	Total RM'000
At 1 January 2018	54,300	1,139	-	55,439
Cash flows	(54,300)	(1,254)	-	(55,554)
Interest charge	-	115	-	115
At 31 December 2018, as previously reported	-	-	-	-
Effects of adoption of MFRS 16	-	-	69,332	69,332
At 1 January 2019, as restated	-	-	69,332	69,332
Cash flows	-	-	(18,841)	(18,841)
Interest charge	-	-	2,541	2,541
Lease additions	-	-	4,092	4092
At 31 December 2019	-	-	57,124	57,124

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 2019 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 2019 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 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 27 February 2020.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments to standards and interpretations that have been issued by Malaysian Accounting Standards Board ("MASB") for the financial year beginning on or after 1 January 2019 and adopted by the Group and the Company:

- MFRS 16, Leases
- IC Interpretation 23, ***Uncertainty over Income Tax Treatments***
- Amendments to MFRS 3, ***Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)***
- Amendments to MFRS 11, ***Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)***
- Amendments to MFRS 112, ***Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)***
- Amendments to MFRS 123, ***Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)***
- Amendments to MFRS 128, ***Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures***
- Amendments to MFRS 119, ***Employee Benefits – Plan Amendment, Curtailment or Settlement***
- Amendments to MFRS 9, ***Prepayment Features with Negative Compensation***

MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, ***Leases***, IC Interpretation 4, ***Determining whether an Arrangement contains a Lease***, IC Interpretation 115, ***Operating Leases – Incentives*** and IC Interpretation 127, ***Evaluating the Substance of Transactions Involving the Legal Form of a Lease.***

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for ***most*** leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116, ***Property, Plant and Equipment*** and the lease liability is accreted over time with interest expense ***recognised*** in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently. The details of the accounting policies on leases are disclosed in Note 2.5.1.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRS 16, *Leases* (continued)

Group

The Group has applied MFRS 16 with the date of initial application of 1 January 2019 by applying the simplified retrospective transition method . On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had been previously classified as 'operating leases' under the principles of MFRS 117. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rates as at 1 January 2019.

Under the simplified retrospective transition method, the 2018 comparative information was not restated. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117, ***Leases*** and IC Interpretation 4, ***Determining whether an Arrangement Contains a Lease.***

In applying MFRS 16 for the first time ,the Group has applied the following practical expedients permitted by MFRS 16:
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics, and
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The adoption of MFRS 16, ***Leases*** has resulted in changes in the accounting policies as disclosed in Note 2.5.1. The effects arising from these changes on the statement of financial position of the Group are as follows:

Group	31 December 2018 RM'000	Effects of adoption of MFRS 16 RM'000	1 January 2019 RM'000
Assets			
Property, plant and equipment	113,528	(19,339)	94,189
Right of use assets	-	88,671	88,671
Liabilities			
Lease liabilities	-	69,332	69,332

The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 3.86% per annum.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRS 16, *Leases* (continued)

The reconciliation between the operating lease commitment as at 31 December 2018 and lease liabilities recognised at 1 January 2019 is as follows:

	RM'000
Operating lease commitments as at 31 December 2018	25,189
Discounted at the incremental borrowing rate as at 1 January 2019	(5,911)
Add: Adjustments as a result of a different treatment of extension options	50,928
Less: Low-value leases recognised on a straight-line basis as expense	(146)
Contract reassessed as service agreement	(728)
Lease liabilities as at 1 January 2019	69,332

Company

The initial application of MFRS 16 does not have any material financial impacts to the current period and prior period financial statements of the Company.

Except as disclosed above, the adoption of new standards, amendments to standards and interpretations by the Group and the Company for the first time for the financial year beginning on or after 1 January 2019 did not have any material impact on the current and/or prior periods and is not likely to affect future periods.

The following are accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective and have not been early adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101, *Presentation of Financial Statements – Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 9, MFRS 139, MFRS 7 – *Interest Rate Benchmark Reform*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRS 17, *Insurance Contracts*

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts.*

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 *Revenue from Contracts with Customers*. Insurance contracts (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

(a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less; and

(b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 17.

Except as mentioned above, the initial application of other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 January 2020 are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

1.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

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, and disclosure of contingent assets and liabilities at the date of financial statement, and the reported amount of income and expenses during the year. 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 2.25.1 – Valuation of general insurance claims liabilities
Note 2.25.2 – Valuation of life actuarial liabilities
Note 2.25.3 – Impairment of goodwill

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2.25.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

2.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group and the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's separate statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

2.1.2 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:
- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

2.1.3 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

2.1.4 Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.2 Foreign currency transactions and balances

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency transactions and balances (continued)

Foreign currency differences arising from settlement of foreign currency transacitons and from retranslation of monetary assets and liabilities are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

2.3 Property, plant and equipment

2.3.1 Recognition and measurement

All items of property, plant and equipment except for work-in-progress are stated at cost/valuation less any accumulated depreciation and any accumulated impairment losses. Work-in-progress is stated at cost less accumulated impairment.

The Group revalues its properties comprising land and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

Valuation of the properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are credited to revaluation reserve account via the statement of other comprehensive income. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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 on a net basis 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (continued)

2.3.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

2.3.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. 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:

Buildings	50 years
Office equipment, computers, furniture and fittings	2 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed at end of the reporting period, and adjusted as appropriate.

Accounting policies applied from 1 January 2019

From 1 January 2019, leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 2.5.1 on right-of-use assets for these assets.

Accounting policies applied until 31 December 2018

Until 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease (refer to accounting policy Note 2.5.2 on finance leases applied until 31 December 2018) are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group or the Company will obtain ownership by the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets

2.4.1 Goodwill

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses. See accounting policy in Note 2.7.3 to the financial statements on impairment of goodwill.

2.4.2 Development costs

Expenditure incurred on software development is capitalised, only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as incurred. Capitalised development expenditure is measured at cost less any accumulated amortisation and any accumulated impairment losses.

2.4.3 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

2.4.4 Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss as incurred.

2.4.5 Amortisation

Amortisation is based on the cost of an asset less its residual value.

Goodwill with indefinite useful lives is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired. See accounting policy in Note 2.7.3 on impairment of goodwill.

Intangible assets with finite useful lives are amortised from the date that they are available for use.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	3 to 5 years
Other intangible assets	6 to 18 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases

2.5.1 The Group and the Company as a lessee – Accounting policies applied from 1 January 2019

From 1 January 2019, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:
- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at valuation/cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment property owned by the Group. Refer to Note 2.8 for accounting policy on investment properties.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

2.5.1 The Group and the Company as a lessee – Accounting policies applied from 1 January 2019 (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentive receivable.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the interest expenses in profit or loss in the statement of profit or loss.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise photocopiers. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.5.2 The Group and the Company as a lessee – Accounting policies applied until 31 December 2018

Finance lease

Leases in terms of which the Group 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.

Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the Group's statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

2.5.3 The Group and the Company as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating lease

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

Until the financial year ended 31 December 2018, when the Group was an intermediate lessor, the subleases were classified as finance or operating leases by reference to the underlying assets.

From 1 January 2019, when the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

2.6 Financial instruments

Group

2.6.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.2 Financial instruments categories and subsequent measurement

The Group categorises and measures financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market that include loans, other receivables, deposits and cash and cash equivalents.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

(c) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(d) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective interest method.

If there is objective evidence that the insurance receivable is impaired, the carrying amount of the insurance receivable will be reduced accordingly and the impairment loss recognised in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.7.2.

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)

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.6.5 have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (See Note 2.7).

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2.6.3 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.4 Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

The Group enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

2.6.5 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.6 Company

Classification

The Company classifies its financial assets in the following measurement categories:
(a) those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
(b) those to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

There are three measurement categories into which the Company can classify its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal outstanding ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in realised gains and losses together with foreign exchange gains and losses. Impairment losses are included in other operating expenses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.6 Company (continued)

Debt instruments (continued)

(b) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in realised gains and losses. Interest income from these financial assets is included in investment income using the effective interest rate method. Impairment expenses are included in other operating expenses.

(c) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss and presented net within fair value gains and losses in the period which it arises.

Subsequent measurement – Impairment

The Company assesses on a forward looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has the following types of financial assets that are subject to the ECL model:
- Subordinated loan
- Investments
- Other receivables
- Cash and cash equivalents

While the above financial assets are subject to the impairment requirements of MFRS 9, the assessed impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:
- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.6 Company (continued)

Subsequent measurement – Impairment (continued)

General 3-stage approach for ECL

At each reporting date, the Company measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

<u>Quantitative criteria:</u>
The Company defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

<u>Qualitative criteria:</u>
The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis. Subordinated loan to subsidiary is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.6 Company (continued)

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

2.7 Impairment

2.7.1 Financial assets, excluding insurance receivables (Group)

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7.2 below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the financial asset's acquisition cost (net of any principal repayment and amortisation) and the financial asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent financial period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.2 Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.7.3 Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (known as "cash-generating unit"). For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a ***pro rata*** basis.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.3 Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation reserve. When an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is recognised in profit or loss.

2.8 Investment properties

2.8.1 Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2.8.2 Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income and accumulated in equity as a revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

2.8.3 Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

The revalued amounts of property are determined by using the Comparison Method. The Comparison Method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

2.9 Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hands, balances and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

2.10 Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

2.10.1 Ordinary share capital

Ordinary share capital is classified as equity.

2.10.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2.10.3 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and accounted for in the equity as an appropriation of retained earnings when they are approved for payment.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

2.12 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2.13 Product classification

Product classification applies to the Group's general insurance and life insurance subsidiaries.

The insurance subsidiaries issue insurance contracts that transfer significant insurance risk. These contracts may also transfer financial risk.

Financial risk is the risk of a possible future change in interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiaries (the insurer) have accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiaries determine whether they have significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Product classification (continued)

Insurance and investment contracts (if any) are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
  - performance of a specified pool of contracts or a specified type of contract;
  - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
  - profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate. Surplus of contracts without DPF is attributable wholly to shareholders and is classified as an equity of the Group.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling are required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

2.14 Reinsurance

Reinsurance applies to the Group's general insurance and life insurance subsidiaries.

Insurance risk is ceded in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiaries from their obligations to policyholders. Premiums ceded and claims reimbursed/recoveries are recognised in the same accounting period as the original policy/contract in which the reinsurance relates, and are presented on a gross basis for both ceded and assumed reinsurance in the statement of profit or loss and statement of financial position.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in profit or loss.

The insurance subsidiary also assumes reinsurance risk in the normal course of business for general (non-life) insurance contracts when applicable.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Reinsurance (continued)

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 interest method when accrued.

2.15 General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

2.15.1 Premium income

(a) Gross premiums

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

(b) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 General insurance underwriting results (continued)

2.15.2 Unearned premium reserves ("UPR")

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward treaty business
- Non-annual policies are time-apportioned over the period of the risks

2.15.3 Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the end of the reporting period.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the end of the reporting period, using a mathematical method of estimation.

2.15.4 Acquisition costs and deferred acquisition cost ("DAC")

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

2.15.5 General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 General insurance underwriting results (continued)

2.15.5 General insurance contract liabilities (continued)

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") at a 75% confidence letter as required by BNM, calculated at the overall insurance subsidiary level. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD at a 75% confidence letter as required by BNM, calculated at the overall insurance subsidiary level.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred for administering these policies and settling the relevant claims, and expected future premium refunds.

2.16 Life insurance underwriting results

2.16.1 Surplus of Life fund

The surplus transferable from the Life fund to profit or loss of Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 by the insurance subsidiary's appointed actuary.

2.16.2 Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit or loss and reported as outstanding premiums in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance underwriting results (continued)

2.16.3 Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

2.16.4 Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

2.16.5 Life insurance contract liabilities

(i) Actuarial Liabilities

Life actuarial 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance underwriting results (continued)

2.16.5 Life insurance contract liabilities (continued)

(i) Actuarial Liabilities (continued)

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.

(ii) Benefit and claims liabilities

Benefit and claims liabilities represent the amounts payable under a life insurance policy in respect of claims and benefits including settlement costs, and are accounted for using the case by-case method as set out above under benefits and claims expenses.

(iii) Unallocated surplus

Surpluses of contracts with DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The life insurance subsidiary, however, has the discretion over the amount and timing of the distribution of these surpluses to both the policyholders and shareholders. The amount and timing of the distribution of these surpluses is subject to the recommendation of the life insurance subsidiary's Appointed Actuary and is determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statements of financial position and is made in accordance with the provision of the Financial Services Act, 2013 and related regulations.

Unallocated surplus of contracts with DPF, where the amount are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial period, are held within the insurance contract liabilities.

(iv) Available-for-sale fair value reserve

Where unrealised gains or losses arise on AFS financial assets of the life participating fund, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities, is recognised directly in the other comprehensive income.

(v) Hedging reserve

Where unrealised gains or losses arise on cash flow hedge of the life participating fund, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities, is recognised directly in the other comprehensive income.

(vi) Asset revaluation reserve

Where asset revaluation reserve arises on the self-occupied properties of the DPF fund, the adjustment to the life insurance liabilities equal to the effect that the realisation of those surpluses at the end of the reporting period would have on those liabilities, is recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance underwriting results (continued)

2.16.5 Life insurance contract liabilities (continued)

(vii) Net asset value attributable to unitholders

The unit liability of investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

2.17 Policy administration and investment management service 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.

Management fee income earned from the investment-linked business is recognised on an accrued basis based on the net asset value of the investment-linked funds.

2.18 Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, are charged to profit or loss in the period in which they are incurred.

2.19 Other revenue recognition

The following specific recognition criteria must also be met before revenue is recognised.

2.19.1 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2.19.2 Rental income

Rental income from investment properties and self-occupied properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis.

2.19.3 Dividend income

Dividend income is recognised in profit or loss on the date the Group's and the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.19.4 Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on disposal of 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

2.21 Provision for agent's retirement benefits

Provision for agent's retirement benefits is calculated accordance with the terms and conditions in the respective agent's agreements. The scheme is not separately funded. The Company pays fixed contributions into the Agency Provident Fund.

Provision for agent's retirement benefits is charged to profit or loss in the period in which it relates.

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 in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax base. Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.8.1, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. The profit or loss attributable to ordinary shareholders is adjusted for the after tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.25 Significant accounting judgements, estimates and assumptions

2.25.1 Valuation of general insurance claims liabilities

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim.

These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available. IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the Company has not yet been notified. The valuation of IBNR reserves is carried out by an Appointed Actuary approved by BNM using professional judgement in applying actuarial methodology and assumptions, based on the Company's current and past claims experience, taking into account the Company's underwriting practice and industry experience. IBNR reserves are estimated based on actuarial statistical projections of the expected cost of the ultimate settlement and administration of claims. The projections are based on available information at the time and include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 39.2.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Significant accounting judgements, estimates and assumptions (continued)

2.25.2 Valuation of life actuarial liabilities

The actuarial valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM. The actuarial valuation of the insurance liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate.

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 risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy, non-unit actuarial liability of an investment-linked policy and guaranteed benefits insurance liability of participating policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund is used for all cash flows to determine the total benefit liability of participating policies.

There are several sources of uncertainty in the estimation of these liabilities, including future mortality and morbidity rates, expenses, persistency and discount rates. These key assumptions used are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Such assumptions require judgment and therefore, actual experience may differ from the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities recognised in life insurance contract liabilities.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 39.1.

2.25.3 Impairment of goodwill

The Group assesses the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 2.7.3. The recoverable amounts of the goodwill are determined based on the value in use method, which requires the use of estimates for cash flow projections. The key assumptions used in the assessment are disclosed in Note 5.

2.26 Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in-progress RM'000	Total RM'000
Cost/Valuation									
At 1 January 2018		30,556	46,983	1,659	115,545	2,881	40,499	5,455	243,578
Additions		-	-	-	6,753	-	523	7,547	14,823
Disposals		-	-	-	(53)	(748)	-	-	(801)
Written off		-	-	-	(1,983)	-	(6,769)	-	(8,752)
Reclassification#	5	-	-	-	5,659	-	648	(10,153)	(3,846)
At 31 December 2018, as previously reported		30,556	46,983	1,659	125,921	2,133	34,901	2,849	245,002
Effects of adoption of MFRS16		(20,187)	-	-	-	-	-	-	(20,187)
At 1 January 2019, as restated		10,369	46,983	1,659	125,921	2,133	34,901	2,849	224,815
Additions		-	-	-	7,175	70	1,901	5,681	14,827
Disposals		(2,069)	(1,451)	-	(63)	(389)	-	-	(3,972)
Written off		-	-	-	(15,154)	-	(6,446)	-	(21,600)
Reclassification#	5	-	-	-	1,855	-	1,906	(5,870)	(2,109)
Revaluation		-	20	-	-	-	-	-	20
At 31 December 2019		8,300	45,552	1,659	119,734	1,814	32,262	2,660	211,981

* 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 5).

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 2018		545	6,294	84	89,243	1,766	25,793	-	123,725
Depreciation for the year	29	303	1,296	21	11,936	387	2,675	-	16,618
Disposals		-	-	-	(25)	(601)	-	-	(626)
Written off		-	-	-	(1,834)	-	(6,409)	-	(8,243)
At 31 December 2018, as previously reported		848	7,590	105	99,320	1,552	22,059	-	131,474
Effect of adoption of MFRS 16		(848)	-	-	-	-	-	-	(848)
At 1 January 2019, as reported		-	7,590	105	99,320	1,552	22,059	-	130,626
Depreciation for the year	29	-	1,633	37	10,907	279	2,632	-	15,488
Revaluation		-	(321)	-	-	-	-	-	(321)
Disposals		-	(254)	-	(62)	(308)	-	-	(624)
Written off		-	-	-	(14,817)	-	(5,655)	-	(20,472)
At 31 December 2019		-	8,648	142	95,348	1,523	19,036	-	124,697
Carrying amounts									
At 1 January 2018		30,011	40,689	1,575	26,302	1,115	14,706	5,455	119,853
At 31 December 2018/ 1 January 2019, as restated		29,708	39,393	1,554	26,601	581	12,842	2,849	113,528
At 31 December 2019		8,300	36,904	1,517	24,386	291	13,226	2,660	87,284

* The carrying amounts of land and buildings are not segregated as the required information is not available.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Office equipment, computers, furniture and fittings RM'000	Office renovations and partitions RM'000	Work-in-progress RM'000	Total RM'000
Cost					
At 1 January 2018		1,629	82	4	1,715
Additions		136	-	-	136
Disposals		(4)	-	-	(4)
Written off		(19)	-	-	(19)
Reclassification		-	-	(4)	(4)
At 31 December 2018/1 January 2019		1,742	82	-	1,824
Additions		295	-	-	295
Disposals		(3)	-	-	(3)
Written off		(14)	-	-	(14)
Reclassification		-	-	-	-
At 31 December 2019		2,020	82	-	2,102
Depreciation					
At 1 January 2018		673	30	-	703
Depreciation for the year	29	279	8	-	287
Disposals		(2)	-	-	(2)
Written off		(16)	-	-	(16)
At 31 December 2018/1 January 2019		934	38	-	972
Depreciation for the year	29	343	7	-	350
Disposals		(3)	-	-	(3)
Written off		(13)	-	-	(13)
At 31 December 2019		1,261	45	-	1,306
Carrying amounts					
At 1 January 2018		956	52	4	1,012
At 31 December 2018/1 January 2019		808	44	-	852
At 31 December 2019		759	37	-	796

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 October 2016 & October 2019 by external independent qualified valuers using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the land and buildings are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the land and buildings of the Group been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

Group	2019 RM'000	2018 RM'000
Land	3,095	11,376
Buildings	29,709	29,565
Land and buildings	1,253	1,270
	34,057	42,211

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

	2019				2018			
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	-	-	8,300	8,300	-	-	29,708	29,708
Buildings	-	-	36,904	36,904	-	-	39,393	39,393
Land and buildings	-	-	1,517	1,517	-	-	1,554	1,554
	-	-	46,721	46,721	-	-	70,655	70,655

Level 3 fair value

The Level 3 unobservable input used in the valuation of land and buildings is the price per square foot ("psf") which is derived from the selling price of comparable land and building, adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 Fair value information (continued)

Land and buildings

Valuation technique used	2019 Fair Value RM'000	2019 Adjusted Price per sq foot RM/psf	2018 Fair Value RM'000	2018 Adjusted Price per sq foot RM/psf
Comparison Approach	46,721	223 – 2,643	70,655	223 – 2,643

4. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Buildings RM'000	Total RM'000
Valuation/Cost			
31 December 2018, as previously reported	-	-	-
Effects of adoption of MFRS 16 (Note 3)	20,187	69,332	89,519
1 January 2019, as restated	20,187	69,332	89,519
Additions	-	4,200	4,200
Disposals	(1,514)	(159)	(1,673)
Revaluation	730	-	730
At 31 December 2019	19,403	73,373	92,776
Depreciation			
31 December 2018, as previously reported	-	-	-
Effects of adoption of MFRS 16 (Note 3)	848	-	848
1 January 2019, as restated	848	-	848
Depreciation for the year (Note 29)	410	17,744	18,154
Revaluation	(429)	-	(429)
Disposals	(82)	(50)	(132)
At 31 December 2019	747	17,694	18,441
Carrying amounts			
At 31 December 2018/1 January 2019, as restated	19,339	69,332	88,671
At 31 December 2019	18,656	55,679	74,335

The Group leases a number of buildings for its office space and branches. The leases typically run for a period of 1 to 5 years, with options to renew the lease after that date. The lease agreements do not impose any covenants.

In 2019, the total cash outflow for leases amounts to RM18,840,000 and income from subleasing right-of-use assets amounts to RM69,000.

NOTES TO THE FINANCIAL STATEMENTS

4. RIGHT-OF-USE ASSETS (CONTINUED)

4.1 Right-of-use assets under the revaluation model

The leasehold land was last revalued in October 2019 by external independent qualified valuers using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the leasehold land is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the leasehold land been carried at historical cost less accumulated amortisation, the carrying amounts would have been RM5,349,000.

4.2 Fair value information

Fair value of leasehold land is categorised as level 3 of the fair value hierarchy.

Level 3 fair value

The Level 3 unobservable input used in the valuation of leasehold land is the price per square foot ("psf") which is derived from the selling price of comparable land, adjusted for differences in location, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building erected thereon and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Leasehold land

Valuation technique used	2019 Fair Value RM'000	2019 Adjusted price per sq foot RM/psf
Comparison Approach	18,656	120 – 1,334

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost					
At 1 January 2018		244,600	51,295	117,495	413,390
Additions		-	12,449	-	12,449
Reclassification	3	-	3,846	-	3,846
At 31 December 2018/1 January 2019		244,600	67,590	117,495	429,685
Additions		-	8,192	27,500	35,692
Disposals		-	(6,375)	-	(6,375)
Reclassification	3	-	2,109	-	2,109
At 31 December 2019		244,600	71,516	144,995	461,111
Amortisation					
At 1 January 2018		-	27,329	25,461	52,790
Amortisation for the year	29	-	8,619	9,012	17,631
At 31 December 2018/1 January 2019		-	35,948	34,473	70,421
Amortisation for the year	29	-	10,380	9,730	20,110
At 31 December 2019		-	46,328	44,203	90,531
Carrying amounts					
At 1 January 2018		244,600	23,966	92,034	360,600
At 31 December 2018/1 January 2019		244,600	31,642	83,022	359,264
At 31 December 2019		244,600	25,188	100,792	370,580
		Note 5.1	Note 5.2	Note 5.3	

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

5.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	2019 RM'000	2018 RM'000
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	239,610	239,610
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
	244,600	244,600

(i) AGIC

Impairment test for cash-generating unit ("CGU") containing goodwill

For goodwill attributable to the acquisition of AGIC, the carrying amount of goodwill had been allocated to the entire integrated general insurance business of the Group as one CGU, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The estimated recoverable amount is calculated based on value in use, determined by discounted cash flows generated by the general insurance business using approved 5-year financial budgets projected to perpetuity.

The following key assumptions have been used in the cash flow projections in respect of the determining the value in use for CGU containing goodwill:

Key assumptions	2019	2018
Discount rate – pre tax	10.8%	10.6%
Terminal growth rate	3.0%	3.0%

(ii) ALIM

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the estimated recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM calculated by an appointed actuary. ALIM computes the Embedded Value using market consistent embedded value approach whereby the Embedded Value is the present value of future shareholders distributable profits after tax discounted at the risk free yield curve with volatility adjustment plus the Net Assets Value. The projected future cash flows are based on the best estimate of assumptions, either derived from the operating unit experience or industry experience.

The estimated recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised. Based on the assessment of value in use for both the CGUs, the Group does not expect that any reasonable change in the key assumptions will cause the carrying amount of the goodwill to exceed their respective recoverable amounts. In conclusion, the key assumptions are not sensitive.

5.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS"), Alternate Front End System ("ALPHA"), Business Intelligence System ("BI") and digital application. These systems are integrated systems designed to improve the efficiency of the business activities of the subsidiaries. The costs of developed software are amortised over a period of three to five years.

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

5.3 Other intangible assets

The carrying amounts of other intangible assets are as follows:

Group	Note	2019 RM'000	2018 RM'000
The Bancassurance Agreements:			
– General insurance business	5.3.1	82,615	60,300
– Life insurance business	5.3.2	18,177	22,722
		100,792	83,022

5.3.1 The Bancassurance Agreement – General insurance business

The intangible asset is in relation to the exclusive Bancassurance Agreement which is effective from 1 July 2017 and Marketing Agreement which is effective from 1 October 2019 for the distribution of the Group's general insurance products.

For the Bancassurance Agreement, the fee for this exclusive right is amortised over its useful life of 18 years using the straight-line method, whereas for the Marketing Agreement, the fee for the exclusive right is amortised over its useful life of 6 years using the straight-line method.

In the impairment assessment conducted by AGIC, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 18 years using the discounted cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

Key assumptions	2019	2018
Bancassurance average annualised gross written premium growth rate	12.0%	14.0%
Discount rate – pre tax	10.8%	10.6%

5.3.2 The Bancassurance Agreement – Life insurance business

The intangible asset is in relation to the exclusive Bancassurance Agreement which provides the Group's life insurance subsidiary with an exclusive right to the use of the bancassurance network of a local commercial bank to sell, market and promote conventional life product.

The fee for this exclusive right is amortised over its useful life of 11 years using the straight-line method. In the impairment assessment conducted by ALIM, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 11 years using the discounted cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

Key assumptions	2019	2018
Bancassurance average annualised new premium growth rate	8.2%	8.3%
Discount rate – pre tax	10.8%	10.6%

NOTES TO THE FINANCIAL STATEMENTS

5. INTANGIBLE ASSETS (CONTINUED)

5.3 Other intangible assets (continued)

5.3.3 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.

6. INVESTMENT PROPERTIES

Group	Note	2019 RM'000	2018 RM'000
At 1 January		19,914	19,914
Change in fair value recognised in profit or loss	26	241	-
At 31 December		20,155	19,914
Included in the above are:			
At fair value:			
Freehold land		1,000	1,000
Buildings		19,155	18,914
		20,155	19,914

The following are recognised in profit or loss in respect of investment properties:

Group	Note	2019 RM'000	2018 RM'000
Rental income	24	-	127
Direct operating expenses			
– income generating investment properties		(2)	(3)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

	2019				2018			
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	-	-	19,155	19,155	-	-	18,914	18,914
	-	-	20,155	20,155	-	-	19,914	19,914

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES (CONTINUED)

6.1 Fair value information (continued)

Level 3 fair value

The fair values of the investment properties were determined by external independent qualified valuers using Comparison Method. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the investment properties are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

The Level 3 unobservable input used in the valuation of investment properties is the price per square foot ("psf") which is derived from the selling price of comparable land and building, adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Valuation technique used	2019 Fair Value RM'000	2019 Adjusted Price per sq foot RM/psf	2018 Fair Value RM'000	2018 Adjusted Price per sq foot RM/psf
Comparison Approach	20,155	238 – 1,015	19,914	235 – 1,100

7. INVESTMENTS IN SUBSIDIARIES

Company	2019 RM'000	2018 RM'000
At cost		
Unquoted shares	961,088	961,088

The principal activities of the subsidiaries, the place of incorporation and the interest of the Company are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest 2019 %	Effective ownership interest 2018 %
Allianz Life Insurance Malaysia Berhad	Underwriting life insurance and investment–linked business	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad	Underwriting general insurance business	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

8. SUBORDINATED LOAN

Company	2019 RM'000	2018 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. However, the subordinated loan has been fully repaid by ALIM on 8 January 2020.

The proceeds from the Facility were utilised by ALIM as subordinated loan for general working capital purposes including business expansion.

9. REINSURANCE ASSETS

Group	Note	2019 RM'000	2018 RM'000
Non–current			
Reinsurance of insurance contracts			
General insurance claims liabilities		268,049	271,333
Life insurance actuarial liabilities		33,508	34,054
		301,557	305,387
Current			
Reinsurance of insurance contracts			
General insurance claims liabilities		492,307	445,743
Allowance for impairment	40.1(ii)	(2,586)	(2,615)
		489,721	443,128
General insurance premium liabilities		99,702	122,964
Life insurance claims liabilities		35,565	32,475
Life insurance actuarial liabilities		41	50
		625,029	598,617
Total	17	926,586	904,004

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS

Group	2019 RM'000	2018 RM'000
Malaysian government securities	4,451,937	4,180,240
Malaysian government guaranteed bonds	3,197,634	2,791,816
Ringgit denominated bonds by foreign issuers outside Malaysia	40,623	40,505
Quoted equity securities of corporations in Malaysia	1,905,352	1,395,851
Quoted equity securities of corporations outside Malaysia	1,896	3,638
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	4,540,106	4,636,902
Unquoted bonds of corporations outside Malaysia	121,018	115,308
Quoted unit trusts in Malaysia	75,679	62,888
Unquoted unit trusts in Malaysia	619,221	215,899
Unquoted unit trusts outside Malaysia	28,021	25,985
Structured deposits and negotiable certificate of deposits with licensed financial institutions	93,800	164,287
Malaysian government guaranteed loans	190,504	190,504
Mortgage loans	-	165
Fixed and call deposits with: Licensed financial institutions	729,545	332,000
	15,997,483	14,158,135
Policy loans	9,681	11,386
Automatic premium loans	78,183	79,877
	16,085,347	14,249,398

Financial investments are summarised by categories as follows:

Group	Note	Current 2019 RM'000	Current 2018 RM'000	Non-current 2019 RM'000	Non-current 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Available-for-sale financial assets ("AFS")	10(a)	7,015,939	6,645,683	-	-	7,015,939	6,645,683
Loans and receivables ("LAR")	10(b)	509,525	373,932	498,388	240,000	1,007,913	613,932
Fair value through profit or loss ("FVTPL")							
– Held for trading ("HFT")	10(c)	4,674,061	3,757,147	-	-	4,674,061	3,757,147
– Designated upon initial recognition ("DUIR")	10(d)	3,387,434	3,232,636	-	-	3,387,434	3,232,636
		15,586,959	14,009,398	498,388	240,000	16,085,347	14,249,398

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS (CONTINUED)

(a) Available–for-sale financial assets

Group	Fair value 2019 RM'000	Fair value 2018 RM'000
Malaysian government securities	2,554,680	2,568,668
Malaysian government guaranteed bonds	1,846,320	1,695,168
Ringgit denominated bonds by foreign issuers outside Malaysia	25,389	25,316
Quoted equity securities of corporations in Malaysia	570,492	451,438
Unquoted bonds of corporations in Malaysia	1,333,465	1,581,682
Quoted unit trusts in Malaysia	54,810	51,933
Unquoted unit trusts in Malaysia	608,288	207,725
Structured deposits and negotiable certificate of deposits with licensed financial institutions	20,348	61,606
	7,013,792	6,643,536

Group	Cost 2019 RM'000	Cost 2018 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Total available-for-sale financial assets	7,015,939	6,645,683

(b) Loans and receivables

Group	Amortised cost 2019 RM'000	Fair value 2019 RM'000	Amortised cost 2018 RM'000	Fair value 2018 RM'000
Malaysian government guaranteed loans	190,504	191,506	190,504	192,278
Mortgage loans	-	-	165	165
Policy loans	9,681	9,681	11,386	11,386
Automatic premium loans	78,183	78,183	79,877	79,877
Fixed and call deposits with: Licensed financial institutions	729,545	729,545	332,000	332,000
	1,007,913	1,008,915	613,932	615,706

10. INVESTMENTS (CONTINUED)

(c) FVTPL – Held for trading

Group	Fair value 2019 RM'000	Fair value 2018 RM'000
Malaysian government securities	1,116,313	859,059
Malaysian government guaranteed bonds	785,731	601,720
Ringgit denominated bonds by foreign issuers outside Malaysia	5,079	5,063
Quoted equity securities of corporations in Malaysia	1,334,860	944,413
Quoted equity securities of corporations outside Malaysia	1,896	3,638
Unquoted bonds of corporations in Malaysia	1,370,359	1,267,400
Quoted unit trusts in Malaysia	20,869	10,955
Unquoted unit trusts in Malaysia	10,933	8,174
Unquoted unit trusts outside Malaysia	28,021	25,985
Structured deposits with licensed financial institutions	-	30,740
	4,674,061	3,757,147

(d) FVTPL – Designated upon initial recognition

Group	Fair value 2019 RM'000	Fair value 2018 RM'000
Malaysian government securities	780,944	752,513
Malaysian government guaranteed bonds	565,583	494,928
Ringgit denominated bonds by foreign issuers outside Malaysia	10,155	10,126
Unquoted bonds of corporations in Malaysia	1,836,282	1,787,820
Unquoted bonds of corporations outside Malaysia	121,018	115,308
Structured deposits with licensed financial institutions	73,452	71,941
	3,387,434	3,232,636

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS (CONTINUED)

The movements in carrying values of the financial investments are as follows:

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2018		6,845,721	484,328	3,369,887	3,032,645	13,732,581
Purchases/Placements		1,107,398	22,029,688	1,207,619	515,041	24,859,746
Maturities		(539,488)	(21,897,401)	(80,000)	(297,500)	(22,814,389)
Disposals		(589,552)	-	(497,976)	(29,862)	(1,117,390)
Fair value (losses)/gains recorded in:						
Profit or loss:						
– Unrealised (losses)/gains	26	-	-	(247,818)	8,096	(239,722)
– Movement in impairment allowance	26	(76,804)	-	-	-	(76,804)
Other comprehensive income	16.2	1,601	-	-	-	1,601
Insurance contract liabilities	17(a)	(105,813)	-	-	-	(105,813)
Accretion of discounts	24	5,454	-	1,441	3,104	9,999
Amortisation of premiums	24	(2,522)	-	(881)	(2,272)	(5,675)
Unrealised foreign exchange (losses)/gains		-	-	(613)	2,424	1,811
Movement in income due and accrued		(312)	(2,683)	5,488	960	3,453
At 31 December 2018		6,645,683	613,932	3,757,147	3,232,636	14,249,398

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2019		6,645,683	613,932	3,757,147	3,232,636	14,249,398
Purchases/Placements		1,245,946	36,125,283	1,277,036	381,391	39,029,656
Maturities		(739,192)	(35,739,422)	(155,050)	(202,066)	(36,835,730)
Disposals		(399,211)	-	(427,923)	(146,443)	(973,577)
Fair value gains recorded in:						
Profit or loss:						
- Unrealised gains	26	-	-	221,671	122,781	344,452
- Movement in impairment allowance	26	(19,087)	-	-	-	(19,087)
Other comprehensive income	16.2	86,920	-	-	-	86,920
Insurance contract liabilities	17(a)	200,584	-	-	-	200,584
Accretion of discounts	24	1,533	-	1,354	2,453	5,340
Amortisation of premiums	24	(1,851)	-	(1,123)	(2,105)	(5,079)
Unrealised foreign exchange gains/(losses)		-	-	129	(1,378)	(1,249)
Movement in income due and accrued		(5,386)	8,120	820	165	3,719
At 31 December 2019		7,015,939	1,007,913	4,674,061	3,387,434	16,085,347

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENTS (CONTINUED)

Company	2019 RM'000	2018 RM'000
Fixed and call deposits with:		
Licensed financial institutions	5,906	2,016

Financial investments are summarised by category as follows:

	Current		Total	
Company	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Amortised cost	5,906	2,016	5,906	2,016

Company	Amortised cost 2019 RM'000	Fair value 2019 RM'000	Amortised cost 2018 RM'000	Fair value 2018 RM'000
Fixed and call deposits with:				
Licensed financial institutions	5,906	5,906	2,016	2,016

The movements in carrying values of the financial investments are as follows:

Company	Amortised cost RM'000	Total RM'000
At 1 January 2018	9,873	9,873
Placements	376,228	376,228
Maturities	(383,946)	(383,946)
Movement in accrued interest	(139)	(139)
At 31 December 2018/1 January 2019	2,016	2,016
Placements	603,892	603,892
Maturities	(600,039)	(600,039)
Movement in accrued interest	37	37
At 31 December 2019	5,906	5,906

11. DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2019			
Derivative held for trading at fair value through profit or loss:			
Collateralised interest rate swap	400,000	36,804	-
Cross currency swap	119,750	4,412	(1,244)
Derivatives used for hedging:			
Forward purchase agreements	160,000	20,961	-
	679,750	62,177	(1,244)
2018			
Derivative held for trading at fair value through profit or loss:			
Collateralised interest rate swap	400,000	19,482	-
Cross currency swap	119,750	4,982	(819)
Derivatives used for hedging:			
Forward purchase agreements	190,000	1,595	(1,594)
	709,750	26,059	(2,413)

The Group uses interest rate swap and cross currency swap to mitigate the changes in fair value of local and foreign currency-denominated debt securities due to movements in interest rates or foreign exchange rates.

The Group enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

Table below shows the periods when the hedged cash flows are expected to occur:

Group	>6 to 12 months RM'000	>1 to 5 years RM'000
As at 31.12.2019		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(59,275)	(96,807)
	(59,275)	(96,807)
As at 31.12.2018		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(30,353)	(156,082)
	(30,353)	(156,082)

12. INSURANCE RECEIVABLES

Group	Note	2019 RM'000	2018 RM'000
Current			
Due premiums including agents, brokers and co-insurers balances		176,616	149,248
Due from reinsurers and cedants		70,526	83,094
Due from holding company	12.1	576	1,857
Due from related companies	12.1	6,461	52,153
Group claims receivables		797	1,455
		254,976	287,807
Less: Allowance for impairment	40.1(ii)	(59,624)	(59,704)
		195,352	228,103

12.1 Amount due from holding company and related companies

The amount due from related companies is unsecured and receivable in accordance with normal trade terms.

12.2 Financial assets

There is no netting off of gross amount of recognised financial assets against the gross amount of financial liabilities in the statement of financial position.

There are no financial assets that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	Note	2019 RM'000	2018 RM'000
Non-current			
Other receivables			
Other loans		35,634	23,591
Malaysian Institute of Insurance ("MII") bonds		-	590
Other receivables, deposits and prepayment		9,168	7,893
		44,802	32,074
Staff loans			
Mortgage loans		6,604	6,389
Other secured loans		1,448	1,339
		8,052	7,728
		52,854	39,802
Current			
Other receivables			
Sundry deposits		6,062	6,427
Malaysian Motor Insurance Pool ("MMIP")		48,889	52,898
Other receivables and prepayments		54,814	44,266
Less: Allowance for impairment	40.1(ii)	(4,558)	(1,471)
		105,207	102,120
Due from related companies	13.1	4,889	6,029
		110,096	108,149
Staff loans			
Mortgage loans		767	716
Other secured loans		479	450
		1,246	1,166
		111,342	109,315
Total		164,196	149,117

NOTES TO THE FINANCIAL STATEMENTS

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

13.1 Amounts due from holding company and related companies

The amount due from holding company and related companies are unsecured, interest free and repayable on demand.

Company	Note	2019 RM'000	2018 RM'000
Non-current			
Other receivables			
Other receivables, deposits and prepayments		1,206	632
Staff loans			
Mortgage loans		334	354
Other secured loans		30	34
		364	388
		1,570	1,020
Current			
Other receivables			
Other receivables, deposits and prepayments		815	1,573
Due from subsidiaries	13.2	8,649	20,479
Dividend receivable from subsidiary		199,822	159,630
		209,286	181,682
Staff loans			
Mortgage loans		46	43
Other secured loans		11	14
		57	57
		209,343	181,739
Total		210,913	182,759

13.2 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

14. DEFERRED ACQUISITION COSTS

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2018		107,726	(13,670)	94,056
Movement during the year	27	(922)	1,926	1,004
At 31 December 2018/ 1 January 2019		106,804	(11,744)	95,060
Movement during the year	27	13,955	2,408	16,363
At 31 December 2019		120,759	(9,336)	111,423

15. SHARE CAPITAL

Group and Company	2019 Amount RM'000	2019 Number of shares RM'000	2018 Amount RM'000	2018 Number of shares RM'000
Issued and fully paid shares classified as equity instruments: Ordinary shares (Note 15.1)				
At 1 January	231,964	176,688	225,268	174,583
Issued during the year	633	200	6,696	2,105
At 31 December	232,597	176,888	231,964	176,688
Irredeemable Convertible Preference Shares (Note 15.2)				
At 1 January	539,065	169,518	545,761	171,623
Conversion during the year	(633)	(200)	(6,696)	(2,105)
At 31 December	538,432	169,318	539,065	169,518

During the financial year, the Group and the Company issued 199,200 (2018: 2,105,501) ordinary shares via conversion of ICPS.

15.1 Ordinary shares

The holders of the ordinary shares are entitled to one vote per share at meetings of the Company, and to receive dividends as declared from time to time.

15.2 Irredeemable Convertible Preference Shares ("ICPS")

The ICPS holders do not carry the right to vote at any general meeting except for when the dividend or part of the dividend is in arrears for more than 6 months, on a proposal to wind-up of the Company, during the winding-up of the Company, on a proposal that affect the rights attached to the ICPS, on a proposal to reduce the Company's share capital or on a proposal for the disposal of the whole of the Company's property, business and undertaking.

Holders of ICPS receive a non-cumulative preferential dividend equivalent to 1.2 times of the dividend rate of the ordinary shares declared for the same financial year/period and calculated based on the nominal value of the ICPS at the Company's discretion.

The ICPS may be converted at any time on a date falling 12 months after the quotation date of the ICPS. The conversion price is fixed at 1 ordinary share of the Company and shall be satisfied by surrendering 1 ICPS for each ordinary share of the Company, subject to adjustment to the conversion price. No cash is payable by the holder of the ICPS upon conversion of the ICPS to ordinary shares. The ordinary shares resulting from each conversion shall rank pari passu in all respect with the remaining ordinary shares.

In the event of repayment of capital by the Company (including any cancellation of capital which is lost or unrepresented by assets), each ICPS holder will be entitled to participate in such repayment and shall rank pari passu with the existing ordinary shareholders.

NOTES TO THE FINANCIAL STATEMENTS

16. RESERVES

Group	Note	2019 RM'000	2018 RM'000
Revaluation reserve	16.1	42,303	41,934
Fair value reserve	16.2	77,446	11,376
Life non-participating fund surplus		971,897	752,903
Retained earnings	16.3	1,810,894	1,784,455
		2,902,540	2,590,668
Company			
Retained earnings		233,476	284,448
		233,476	284,448

16.1 Revaluation reserve

The revaluation reserve represents the surplus on revaluation of owner occupied properties for the general business and life business.

16.2 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

16.3 Retained earnings

Restriction on payment of dividends by insurance subsidiaries

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 the Insurance Subsidiaries' internal target capital levels or if the payment of dividends would impair Insurance Subsidiaries' Capital Adequacy Ratio position to below Insurance Subsidiaries' internal target capital levels.

Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Insurance Subsidiaries are required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend on its shares.

NOTES TO THE FINANCIAL STATEMENTS

17. INSURANCE CONTRACT LIABILITIES

Group	Note	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Life insurance	17(a)	10,763,670	(69,114)	10,694,556	9,284,256	(66,579)	9,217,677
General insurance	17(b)	3,658,554	(857,472)	2,801,082	3,505,617	(837,425)	2,668,192
		14,422,224	(926,586)	13,495,638	12,789,873	(904,004)	11,885,869
			Note 9			Note 9	

(a) Life insurance

Life insurance contract liabilities consist of:

Group	Note	2019 Gross RM'000	2019 Reinsurance RM'000	2019 Net RM'000	2018 Gross RM'000	2018 Reinsurance RM'000	2018 Net RM'000
Actuarial liabilities	39.1	8,104,310	(33,549)	8,070,761	7,192,871	(34,104)	7,158,767
Benefits and claims liabilities		577,403	(35,565)	541,838	466,283	(32,475)	433,808
Unallocated surplus		30,069	-	30,069	133,696	-	133,696
Hedging reserve		19,284	-	19,284	1	-	1
Available-for-sale fair value reserve		232,491	-	232,491	47,954	-	47,954
Net asset value attributable to unitholders		1,793,122	-	1,793,122	1,437,471	-	1,437,471
Revaluation reserve		6,991	-	6,991	5,980	-	5,980
		10,763,670	(69,114)	10,694,556	9,284,256	(66,579)	9,217,677

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

Group	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
At 1 January 2018	4,090,463	4,735,711	8,826,174	(365)	(64,986)	(65,351)	8,760,823
Premiums received (Note 23)	130,702	2,252,835	2,383,537	(7,240)	(92,954)	(100,194)	2,283,343
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 28)	(333,706)	(862,011)	(1,195,717)	2,337	79,260	81,597	(1,114,120)
Movements in benefits and claim liabilities	47,599	74,801	122,400	(75)	(19,813)	(19,888)	102,512
Benefits and claims experience variation	(43,009)	(124,010)	(167,019)	4,903	18,116	23,019	(144,000)
Fees deducted	(9,632)	(602,874)	(612,506)	-	(846)	(846)	(613,352)
Expected interest on reserve/net investment income attributable to Universal Life Fund	150,427	43,688	194,115	-	(836)	(836)	193,279
Adjustments due to changes in assumptions	(40,071)	(8,615)	(48,686)	-	15,920	15,920	(32,766)
Net asset value attributable to unitholders	-	(175,693)	(175,693)	-	-	-	(175,693)
Hedging reserve	3,220	-	3,220	-	-	-	3,220
Available-for-sale fair value reserve (Note 10)	(105,813)	-	(105,813)	-	-	-	(105,813)
Unallocated surplus	52,037	-	52,037	-	-	-	52,037
Deferred tax effects:							
– Hedging reserve (Note 31.3)	(258)	-	(258)	-	-	-	(258)
– Available-for-sale fair value reserve (Note 31.3)	8,465	-	8,465	-	-	-	8,465
At 31 December 2018	3,950,424	5,333,832	9,284,256	(440)	(66,139)	(66,579)	9,217,677

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

Group	Gross With DPF RM'000	Gross Without DPF RM'000	Gross Total RM'000	Reinsurance With DPF RM'000	Reinsurance Without DPF RM'000	Reinsurance Total RM'000	Net RM'000
At 1 January 2019	3,950,424	5,333,832	9,284,256	(440)	(66,139)	(66,579)	9,217,677
Premiums received (Note 23)	116,304	2,608,728	2,725,032	(6,027)	(75,151)	(81,178)	2,643,854
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 28)	(321,702)	(1,002,992)	(1,324,694)	2,876	63,471	66,347	(1,258,347)
Movements in benefits and claim liabilities	51,851	59,269	111,120	(89)	(3,001)	(3,090)	108,030
Benefits and claims experience variation	89,250	(167,456)	(78,206)	1,679	14,907	16,586	(61,620)
Fees deducted	(13,240)	(672,162)	(685,402)	1,472	(23)	1,449	(683,953)
Expected interest on reserve/net investment income attributable to Universal Life Fund	152,654	293,580	446,234	-	(467)	(467)	445,767
Adjustments due to changes in assumptions	72,131	48,182	120,313	-	(2,182)	(2,182)	118,131
Net asset value attributable to unitholders	-	63,814	63,814	-	-	-	63,814
Hedging reserve	20,960	-	20,960	-	-	-	20,960
Available-for-sale fair value reserve (Note 10)	200,584	-	200,584	-	-	-	200,584
Revaluation reserves	1,099	-	1,099	-	-	-	1,099
Unallocated surplus	(103,628)	-	(103,628)	-	-	-	(103,628)
Deferred tax effects:	-	-	-				
– Hedging reserve (Note 31.3)	(1,677)	-	(1,677)	-	-	-	(1,677)
– Available-for-sale fair value reserve (Note 31.3)	(16,047)	-	(16,047)	-	-	-	(16,047)
– Revaluation reserves (Note 31.3)	(88)	-	(88)	-	-	-	(88)
At 31 December 2019	4,198,875	6,564,795	10,763,670	(529)	(68,585)	(69,114)	10,694,556

NOTES TO THE FINANCIAL STATEMENTS

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

General insurance contract liabilities consist of:

		2019			2018		
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		1,872,966	(537,797)	1,335,169	1,734,155	(517,351)	1,216,804
Provision for incurred but not reported claims ("IBNR")		681,278	(222,559)	458,719	741,236	(199,725)	541,511
		2,554,244	(760,356)	1,793,888	2,475,391	(717,076)	1,758,315
Allowance for impairment	9	-	2,586	2,586	-	2,615	2,615
Provision for outstanding claims	17.1	2,554,244	(757,770)	1,796,474	2,475,391	(714,461)	1,760,930
Provision for unearned premiums	17.2	1,104,310	(99,702)	1,004,608	1,030,226	(122,964)	907,262
		3,658,554	(857,472)	2,801,082	3,505,617	(837,425)	2,668,192

17.1 Provision for outstanding claims – movements

		2019			2018		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		2,475,391	(714,461)	1,760,930	2,402,386	(695,905)	1,706,481
Claims incurred in the current accident year		1,505,455	(230,306)	1,275,149	1,468,163	(143,773)	1,324,390
Other movements in claims incurred in prior accident years		(256,986)	81,075	(175,911)	(141,960)	(4,627)	(146,587)
Claims paid during the year	28	(1,169,616)	105,922	(1,063,694)	(1,253,198)	129,844	(1,123,354)
At 31 December		2,554,244	(757,770)	1,796,474	2,475,391	(714,461)	1,760,930

17.2 Provision for unearned premiums – movements

		2019			2018		
Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		1,030,226	(122,964)	907,262	1,072,388	(159,767)	912,621
Premiums written in the year	23	2,197,501	(241,748)	1,955,753	2,121,317	(229,727)	1,891,590
Premiums earned during the year		(2,123,417)	265,010	(1,858,407)	(2,163,479)	266,530	(1,896,949)
At 31 December		1,104,310	(99,702)	1,004,608	1,030,226	(122,964)	907,262

NOTES TO THE FINANCIAL STATEMENTS

18. DEFERRED TAX ASSETS AND (LIABILITIES)

18.1 Recognised deferred tax assets and (liabilities) are attributable to the following:

	Assets		Liabilities		Net	
Group	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Property, plant and equipment	1,777	1,309	(14,632)	(15,274)	(12,855)	(13,965)
Intangible assets	-	-	(19,877)	(15,253)	(19,877)	(15,253)
Allowance for impairment on insurance receivables	12,551	12,483	-	-	12,551	12,483
Other payables and accruals	17,438	19,675	-	-	17,438	19,675
Hedging reserve	-	-	(1,677)	-	(1,677)	-
Available-for-sale fair value reserve	-	-	(44,635)	(7,738)	(44,635)	(7,738)
Fair value movement recognised in profit or loss	1,778	1,778	(23,166)	1,979	(21,388)	3,757
Unallocated surplus	-	-	(284,809)	(237,760)	(284,809)	(237,760)
Other items	-	2,722	(762)	(137)	(762)	2,585
Tax assets/(liabilities)	33,544	37,967	(389,558)	(274,183)	(356,014)	(236,216)
Offset of tax	(33,544)	(23,916)	33,544	23,916	-	-
Net deferred tax assets/(liabilities)	-	14,051	(356,014)	(250,267)	(356,014)	(236,216)
Company						
Property, plant and equipment	-	-	(135)	(142)	(135)	(142)
Net tax liabilities	-	-	(135)	(142)	(135)	(142)

18. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

18.2 Movement in temporary differences during the year:

Group	At 1.1.2018 RM'000	Recognised in profit or loss (Note 31.1) RM'000	Recognised in other comprehensive income ("OCI") (Note 31.2) RM'000	Recognised in insurance contract liabilities through OCI (Note 31.3) RM'000	At 31.12.2018 /1.1.2019 RM'000	Recognised in profit or loss (Note 31.1) RM'000	Recognised in other comprehensive income ("OCI") (Note 31.2) RM'000	Recognised in insurance contract liabilities through OCI (Note 31.3) RM'000	At 31.12.2019 RM'000
Property, plant and equipment	(14,494)	529	-	-	(13,965)	1,230	(32)	(88)	(12,855)
Intangible assets	-	(15,253)	-	-	(15,253)	(4,624)	-	-	(19,877)
Allowance for impairment on insurance receivables	11,549	934	-	-	12,483	68	-	-	12,551
Other payables and accruals	17,398	2,277	-	-	19,675	(2,237)	-	-	17,438
Hedging reserve	258	-	-	(258)	-	-	-	(1,677)	(1,677)
Available-for-sale fair value reserve	(15,809)	-	(394)	8,465	(7,738)	-	(20,850)	(16,047)	(44,635)
Fair value movement recognised in profit or loss	(16,682)	20,439	-	-	3,757	(25,145)	-	-	(21,388)
Unallocated surplus	(193,214)	(44,546)	-	-	(237,760)	(47,049)	-	-	(284,809)
Other items	(474)	3,059	-	-	2,585	(3,347)	-	-	(762)
	(211,468)	(32,561)	(394)	8,207	(236,216)	(81,104)	(20,882)	(17,812)	(356,014)
Company									
Property, plant and equipment	(183)	41	-	-	(142)	7	-	-	(135)

NOTES TO THE FINANCIAL STATEMENTS

19. LEASE LIABILITIES

	2019 RM'000	2018 RM'000
Non-current	40,321	-
Current	16,803	-
	57,124	-

20. INSURANCE PAYABLES

Group	Note	2019 RM'000	2018 RM'000
Non-current			
Performance bond deposits	20.1	24,292	24,132
Current			
Due to reinsurers and cedants		133,792	184,932
Due to agents, brokers, co-insurers and insurers		168,345	141,289
Due to related companies	20.2	52,823	27,134
Performance bond deposits	20.1	44,799	50,283
		399,759	403,638
Total		424,051	427,770

20.1 Performance bond deposits

Performance bond deposits are interest bearing collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

20.2 Amounts due to related companies

The amounts due to holding company and related companies are unsecured and payable in accordance with normal trade terms.

20.3 Financial liabilities

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statement of financial position. There are no financial liabilities that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2018: Nil).

NOTES TO THE FINANCIAL STATEMENTS

21. OTHER PAYABLES AND ACCRUALS

Group	Note	2019 RM'000	2018 RM'000
Current			
Sundry creditors		153,150	132,426
Premium received in advance		94,550	80,529
Premium deposits		32,089	36,406
Cash collateral payables		55,465	20,864
Outstanding purchase of investment securities		22,512	3,918
Other payables and accrued expenses		144,092	106,195
Dividend payable		247,045	152,044
Due to holding company	21.1	13,817	28,714
Due to related companies	21.1	7,030	8,271
		769,750	569,367
Total		769,750	569,367

Company	Note	2019 RM'000	2018 RM'000
Current			
Other payables and accrued expenses		3,003	2,754
Dividend payable		247,045	152,044
		250,048	154,798
Total		250,048	154,798

21.1 Amounts due to holding company and related companies

The amounts due to holding company, immediate holding company and related company are unsecured, interest free and repayable on demand.

22. OPERATING REVENUE

Group	Note	2019 RM'000	2018 RM'000
Gross earned premiums	23(a)	4,848,449	4,547,016
Investment income	24	685,925	634,913
		5,534,374	5,181,929
Company			
Investment income	24	203,148	162,863

NOTES TO THE FINANCIAL STATEMENTS

23. NET EARNED PREMIUMS

Group	Note	2019 RM'000	2018 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	17(a)	2,725,032	2,383,537
General	17(b)	2,197,501	2,121,317
		4,922,533	4,504,854
Change in unearned premiums provision:			
General		(74,084)	42,162
Gross earned premiums	22	4,848,449	4,547,016
(b) Premiums ceded			
Insurance contracts:			
Life	17(a)	(81,178)	(100,194)
General	17(b)	(241,748)	(229,727)
		(322,926)	(329,921)
Change in unearned premiums provision:			
General		(23,262)	(36,803)
Premiums ceded to reinsurers		(346,188)	(366,724)
Net earned premiums		4,502,261	4,180,292

NOTES TO THE FINANCIAL STATEMENTS

24. INVESTMENT INCOME

Group	Note	2019 RM'000	2018 RM'000
Rental of premises from:			
– Investment properties	6	-	127
– Owner occupied properties		8	316
Fair value through profit or loss – Held for trading financial assets			
Interest income from:			
– Malaysian government securities		41,872	28,568
– Malaysian government guaranteed bonds		30,416	25,628
– Ringgit denominated bonds by foreign issuers outside Malaysia		245	246
– Unquoted bonds of corporations in Malaysia		60,829	57,232
Dividend income from:			
– Quoted equity securities of corporations in Malaysia		38,955	33,311
– Quoted equity securities of corporations outside Malaysia		583	517
– Quoted unit trusts in Malaysia		854	379
Interest income from/(expense to) licensed financial institutions:			
– Structured deposits		590	1,279
– Cash collateral		(1,270)	(681)
Accretion of discounts	10	1,354	1,441
Amortisation of premiums	10	(1,123)	(881)
Available-for-sale financial assets			
Interest income from:			
– Malaysian government securities		105,037	110,443
– Malaysian government guaranteed bonds		76,282	73,447
– Ringgit denominated bonds by foreign issuers outside Malaysia		1,232	1,367
– Unquoted bonds of corporations in Malaysia		66,765	71,847
Dividend income from:			
– Quoted equity securities of corporations in Malaysia		18,403	19,376
– Quoted unit trusts in Malaysia		3,318	3,449
– Unquoted unit trusts in Malaysia		19,266	655
Accretion of discounts	10	1,533	5,454
Amortisation of premiums	10	(1,851)	(2,522)
Interest income from licensed financial institutions:			
– Structured deposits and negotiable certificate of deposits		1,410	3,313

NOTES TO THE FINANCIAL STATEMENTS

24. INVESTMENT INCOME (CONTINUED)

Group	Note	2019 RM'000	2018 RM'000
Fair value through profit or loss – Designated upon initial recognition financial assets			
Interest income from:			
– Malaysian government securities		29,084	27,480
– Malaysian government guaranteed bonds		22,126	19,790
– Ringgit denominated bonds by foreign issuers outside Malaysia		493	563
– Unquoted bonds of corporations in Malaysia		84,847	85,754
– Unquoted bonds of corporations outside Malaysia		4,267	4,237
Interest income from licensed financial institutions:			
– Structured deposits and negotiable certificate of deposits		1,860	3,851
– Cross currency swap		1,580	1,637
– Collateralised forward starting interest rate swap		4,616	3,666
Accretion of discounts	10	2,453	3,104
Amortisation of premiums	10	(2,105)	(2,272)
Loans and receivables			
Interest income from:			
– Malaysian government guaranteed loans		8,632	8,590
– Mortgage loans		1	82
– Policy loans		796	900
– Automatic premium loans		5,625	5,805
Interest income from licensed financial institutions:			
– Fixed and call deposits		44,734	28,136
– Bank balances		12,208	9,279
		685,925	634,913
		Note 22	Note 22

Company	2019 RM'000	2018 RM'000
Dividend income from subsidiary	199,822	159,630
Amortised cost		
Interest income from licensed financial institutions:		
– Fixed and call deposits	882	789
Interest income on subordinated loan	2,444	2,444
	203,148	162,863
	Note 22	Note 22

25. REALISED GAINS AND LOSSES

Group	2019 RM'000	2018 RM'000
Property, plant and equipment		
Realised gains/(losses) on disposal	405	(2)
Financial assets		
Realised gains on disposal of:		
– Malaysian government securities	11,504	577
– Malaysian government guaranteed bonds	1,656	73
– Quoted equity securities of corporations in Malaysia	23,767	96,157
– Quoted equity securities of corporations outside Malaysia	824	790
– Quoted unit trusts in Malaysia	498	15
– Unquoted unit trusts in Malaysia	350	318
– Unuoted unit trusts outside Malaysia	25	20
– Unquoted bonds of corporations in Malaysia	6,802	-
Realised losses on disposal of:		
– Malaysian government securities	(3)	(9)
– Malaysian government guaranteed bonds	-	(6)
– Quoted equity securities of corporations in Malaysia	(53,057)	(118,632)
– Quoted equity securities of corporations outside Malaysia	(1,241)	(365)
– Unquoted unit trusts outside Malaysia	(240)	(91)
– Unquoted bonds of corporations in Malaysia	-	(37)
Total net realised losses for financial assets	(9,115)	(21,190)
Total net realised losses	(8,710)	(21,192)

Company	2019 RM'000	2018 RM'000
Property, plant and equipment		
Realised loss on disposal	-	(2)

NOTES TO THE FINANCIAL STATEMENTS

26. FAIR VALUE GAINS AND LOSSES

Group	Note	2019 RM'000	2018 RM'000
Investment properties	6	241	-
Held for trading financial assets	10	221,671	(247,818)
Designated upon initial recognition financial assets	10	122,781	8,096
Derivatives		14,841	2,851
Total fair value gains/(losses) on financial assets at FVTPL		359,293	(236,871)
Impairment loss on AFS financial assets	10	(19,087)	(76,804)
Total fair net value gains/(losses)		340,447	(313,675)

27. FEE AND COMMISSION

(a) Fee and commission income

Group	Note	2019 RM'000	2018 RM'000
Reinsurance commission income		42,667	15,823
Service charges		10,362	10,926
Deferred acquisition costs	14	2,408	1,926
Total fee and commission income		55,437	28,675

(b) Fee and commission expense

Group	Note	2019 RM'000	2018 RM'000
Gross direct commission		751,581	684,540
Deferred acquisition costs	14	(13,955)	922
Total fee and commission expense		737,626	685,462

28. NET BENEFITS AND CLAIMS

(a) Gross benefits and claims paid

Group	Note	2019 RM'000	2018 RM'000
Insurance contracts:			
Life	17(a)	(1,324,694)	(1,195,717)
General	17(b)	(1,169,616)	(1,253,198)
		(2,494,310)	(2,448,915)

(b) Claims ceded to reinsurers

Group	Note	2019 RM'000	2018 RM'000
Insurance contracts:			
Life	17(a)	66,347	81,597
General	17(b)	105,922	129,844
		172,269	211,441

(c) Gross change in contract liabilities

Group	Note	2019 RM'000	2018 RM'000
Insurance contracts:			
Life		(1,163,463)	(430,068)
General		(78,853)	(73,005)
		(1,242,316)	(503,073)

(d) Change in contract liabilities ceded to reinsurers

Group	Note	2019 RM'000	2018 RM'000
Insurance contracts:			
Life		(554)	(18,660)
General		43,309	18,556
		42,755	(104)
Net benefits and claims		(3,521,602)	(2,740,651)

NOTES TO THE FINANCIAL STATEMENTS

29. MANAGEMENT EXPENSES

Group	Note	2019 RM'000	2018 RM'000
Advertising and marketing expenses		28,118	25,056
Amortisation of intangible assets	5	20,110	17,631
Auditors' remuneration:			
– statutory audit fees		794	797
– non-audit fees		79	224
Insurance and other receivables:			
– allowance for/(reversal of) impairment loss		3,007	(13)
– bad debts recovered		(54)	(83)
– bad debts written off		236	3,080
Bank charges		29,933	27,780
Depreciation of property, plant and equipment	3	15,488	16,618
Employee benefits expense	29.1	271,819	243,712
Executive directors' emoluments	29.2	10,394	5,189
Non-executive directors' fee and other emoluments	29.2	2,679	3,368
Rental of office equipment		172	5,438
Rental of third party premises		637	14,118
Lease expense on low-value assets		259	-
Short- term lease expenses		287	-
Depreciation of right-of-use assets	4	18,154	-
Other expenses		215,859	191,964
		617,971	554,879
Company			
Auditors' remuneration:			
– statutory audit fees		143	133
– non-audit fees		10	50
Depreciation of property, plant and equipment	3	350	287
Employee benefits expense	29.1	2,973	1,994
Executive directors' emoluments	29.2	-	-
Non-executive directors' fee and other emoluments	29.2	941	1,116
Other expenses		2,001	2,098
		6,418	5,678

NOTES TO THE FINANCIAL STATEMENTS

29. MANAGEMENT EXPENSES (CONTINUED)

29.1 Employee benefits expense

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Wages and salaries	198,287	180,314	1,371	905
Social security contributions	1,562	1,480	9	6
Contributions to Employees' Provident Fund	29,125	25,135	317	196
Other benefits	42,845	36,783	1,276	887
	271,819	243,712	2,973	1,994

29.2 Key management personnel compensation

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Executive directors:				
Salaries and other emoluments	5,045	3,667	-	-
Bonus	4,723	1,258	-	-
Contributions to Employees' Provident Fund	626	264	-	-
Estimated monetary value of benefits-in-kind	471	563	-	-
	10,865	5,752	-	-
Non-executive directors:				
Fees	2,037	2,386	720#	753#
Other emoluments	642	982	221#	363#
Estimated monetary value of benefits-in-kind	11	190	11	4
	2,690	3,558	952	1,120
Other key management personnel*				
Short term employee benefits	12,583	11,656	-	-

* Other key management personnel are defined as those persons other than the Directors of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

Inclusive of fees and other emoluments for a non-executive director of subsidiaries who is a member of Board Committees of the Company amounting to RM3,271 (2018: RM10,580) and RM3,731 (2018: RM10,580) respectively.

29. MANAGEMENT EXPENSES (CONTINUED)

29.2 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	
	2019	2018	2019	2018
Executive directors:				
Below RM1,000,000	-	-	-	-
RM1,000,000 and above	2	2	-	-
Non-executive directors:				
RM0	-	-	-	-
Below RM100,000	1	1	2	2
RM100,001 – RM200,000	1	1	4	1
RM200,001 – RM300,000	1	-	-	2
RM300,001 – RM400,000	4	1	1	1
RM400,001 – RM500,000	-	1	-	-
RM500,001 – RM600,000	-	1	-	-
RM600,001 – RM700,000	-	2	-	-
RM700,001 – RM800,000	1	1	-	-
RM800,001 – RM900,000	-	-	-	-
RM900,001 – RM1,000,000	-	-	-	-
Above RM1,000,001	-	-	-	-

Reported under the Group and the Company's Non-Executive Directors included 1 Independent Non-Executive Director who has retired during the financial year under review.

29.3 Chief Executive Officers remuneration

	Group		Company	
	2019	2018	2019	2018
Salaries and other emoluments	5,163	3,778	118	111
Bonus	5,118	1,373	395	115
Contributions to Employees' Provident Fund	696	293	70	29
Estimated monetary value of benefits-in-kind	474	566	3	3
	11,451	6,010	586	258
Amount included in employee benefits expense	10,977	5,444	583	255

NOTES TO THE FINANCIAL STATEMENTS

29. MANAGEMENT EXPENSES (CONTINUED)

29.3 Chief Executive Officers remuneration (continued)

The remuneration of Chief Executive Officers ("CEO(s)") of the Group and the Company who are also the Executive Directors of the Group, including benefits-in-kind, amounted to RM11,451,000 (2018: RM6,010,000) and RM586,000 (2018: RM258,000) respectively.

30. INTEREST EXPENSE

	2019 RM'000	2018 RM'000
Interest expense on:		
Subordinated loan	-	115
Lease liabilities	2,541	-
	2,541	115

31. TAX EXPENSE

31.1 Recognised in profit or loss

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current tax expense					
Current year		129,191	123,598	886	798
(Over)/Under provision in prior years		(10,629)	(14,196)	11	7
		118,562	109,402	897	805
Deferred tax expense/(income)					
Origination and reversal of temporary		77,086	18,086	(7)	(41)
Under provision in prior year		4,018	14,475	-	-
	18.2	81,104	32,561	(7)	(41)
Total tax expense		199,666	141,963	890	764

NOTES TO THE FINANCIAL STATEMENTS

31. TAX EXPENSE (CONTINUED)

31.2 Deferred tax recognised directly in other comprehensive income

Group	Note	2019 RM'000	2018 RM'000
Available-for-sale fair value reserve			
At 1 January		3,565	3,171
Net gain arising from change in fair value during the year	18.2	20,850	394
At 31 December		24,415	3,565
Revaluation reserve			
At 1 January		9,534	9,534
Net gain arising from change in fair value during the year		32	-
At 31 December		9,566	9,534

31.3 Deferred tax recognised in insurance contract liabilities

Group	Note	2019 RM'000	2018 RM'000
Hedging reserve			
At 1 January		-	(258)
Net gain arising from change in fair value during the year	17(a)	1,677	258
At 31 December	18.2	1,677	-
Available-for-sale fair value reserve			
At 1 January		4,173	12,638
Net gain/(loss) arising from change in fair value during the year	17(a)	16,047	(8,465)
At 31 December		20,220	4,173
Revaluation reserve			
At 1 January		465	465
Net gain arising from revaluation during the year		88	-
At 31 December		553	465

31. TAX EXPENSE (CONTINUED)

31.4 Reconciliation of tax expense

Group	2019 RM'000	2018 RM'000
Profit before tax	692,144	518,984
Tax at Malaysian tax rate of 24% (2018: 24%)	166,115	124,556
Tax rate differential of 16% (2018: 16%) in respect of life fund	12,212	14,165
Income not subject to tax	(229,135)	(190,032)
Section 110B tax and deferred tax credit set off	(18,047)	(1,166)
Non-deductible expenses	275,814	194,143
Other items	(682)	18
	206,277	141,684
(Over)/under provision in prior years	(6,611)	279
Total tax expense	199,666	141,963

Company	2019 RM'000	2018 RM'000
Profit before tax	196,963	157,111
Tax at Malaysian tax rate of 24% (2018: 24%)	47,271	37,707
Income not subject to tax	(47,957)	(38,363)
Non-deductible expenses	1,565	1,413
	879	757
Under provision in prior years	11	7
Total tax expense	890	764

The income of the general business and life business shareholders' fund is taxed at 24% (2018: 24%). The income tax provided in the life fund for the current and previous financial years is in respect of investment income which is taxed at a reduced tax rate of 8% (2018: 8%) applicable for life insurance business and 24% (2018: 24%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967 ("Act").

NOTES TO THE FINANCIAL STATEMENTS

32. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders adjusted for preference dividends of RM132,068,000 (2018: RM81,368,000) and the weighted average number of ordinary shares in issue during the year of 176,787,000 (2018: 176,090,000).

Group	2019	2018
Profit attributable to ordinary shareholders (RM'000)	492,478	377,021
Adjustment:		
– Preference dividends declared	(132,068)	(81,368)
Adjusted profit attributable to ordinary shareholders (RM'000)	360,410	295,653
Weighted average number of shares in issue ('000)	176,787	176,090
Basic earnings per ordinary share (sen)	203.87	167.90

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2019 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	2019	2018
Profit attributable to equity shareholders (RM'000)	492,478	377,021
Weighted average number of shares in issue ('000)	176,787	176,090
Effect of conversion of ICPS ('000)	169,318	169,518
Diluted weighted average number of ordinary shares during the year ('000)	346,105	345,608
Diluted earnings per ordinary share (sen)	142.29	109.09

NOTES TO THE FINANCIAL STATEMENTS

33. DIVIDENDS

Dividends recognised by the Company:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2019			
Interim 2019 preference dividend	61.20	103,623	14 February 2020
Interim 2019 ordinary dividend	51.00	90,213	14 February 2020
Special 2019 preference dividend	16.80	28,445	14 February 2020
Special 2019 ordinary dividend	14.00	24,764	14 February 2020
		247,045	
2018			
Interim 2018 preference dividend	48.00	81,368	15 February 2019
Interim 2018 ordinary dividend	40.00	70,676	15 February 2019
		152,044	

34. OPERATING LEASES

34.1 Leases as lessor

The Group leases out its investment properties under operating leases (see Note 6). The future undiscounted lease payments to be received are as follows:

	2019 RM'000	2018 RM'000
Less than one year	151	170
In the 2nd year	-	98
	151	268

34.2 Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	2019 RM'000	2018 RM'000
Less than one year	-	17,106
Between one and five years	-	8,083
	-	25,189

The Group leases a number of offices under operating leases. The leases typically run for a period of 1-5 years, with an option to renew the lease after that date. None of the leases includes contingent rentals.

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases (see Note 1.1 and Note 4 for further information).

NOTES TO THE FINANCIAL STATEMENTS

35. CAPITAL COMMITMENTS

Group	2019 RM'000	2018 RM'000
Property, plant and equipment		
Contracted but not provided for	4,426	3,917
Software development		
Contracted but not provided for	479	2,720

Company	2019 RM'000	2018 RM'000
Property, plant and equipment		
Contracted but not provided for	-	83

36. 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.

36.1 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

36.2 Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

NOTES TO THE FINANCIAL STATEMENTS

36. 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
2019					
External revenue	14,298	2,312,678	3,207,398	-	5,534,374
Revenue from other segments	202,265	423	118	(202,806)	-
Total revenue	216,563	2,313,101	3,207,516	(202,806)	5,534,374
Segment results	191,250	362,839	340,861	(202,806)	692,144
Profit before tax					692,144
Tax expense					(199,666)
Profit for the year					492,478
Segment assets	612,259	6,459,334	12,638,479	-	19,710,072
Segment liabilities	267,138	4,105,877	11,663,488	-	16,036,503
Capital expenditure	295	42,344	7,880	-	50,519
Depreciation of property, plant and equipment	349	9,620	5,519	-	15,488
Amortisation of intangible assets	-	13,474	6,636	-	20,110
Reversal of allowance for impairment loss on receivables	-	224	2,783	-	3,007
Amortisation of premiums	-	986	4,093	-	5,079
Accretion of discounts	-	(766)	(4,574)	-	(5,340)
2018					
External revenue	13,557	2,345,789	2,822,583	-	5,181,929
Revenue from other segments	162,074	-	-	(162,074)	-
Total revenue	175,631	2,345,789	2,822,583	(162,074)	5,181,929
Segment results	156,047	320,569	204,442	(162,074)	518,984
Profit before tax					518,984
Tax expense					(141,963)
Profit for the year					377,021
Segment assets	553,340	6,053,386	10,797,868	-	17,404,594
Segment liabilities	164,558	3,836,004	10,042,335	-	14,042,897
Capital expenditure	136	19,275	7,861	-	27,272
Depreciation of property, plant and equipment	285	10,910	5,423	-	16,618
Amortisation of intangible assets	-	11,610	6,021	-	17,631
Reversal of allowance for impairment loss on receivables	-	422	(435)	-	(13)
Amortisation of premiums	-	1,649	4,026	-	5,675
Accretion of discounts	-	(4,374)	(5,625)	-	(9,999)

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTIES

37.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related Parties	Relationship
Allianz SE, Munich ("Allianz SE")	Holding company
Allianz Life Insurance Malaysia Berhad	Subsidiary of the Company
Allianz General Insurance Company (Malaysia) Berhad	Subsidiary of the Company
Allianz SE Insurance Management Asia Pacific	Related company of AMB
Allianz Technology SE [Formerly known as Allianz Managed & Operations Services SE]	Related company of AMB
Allianz Investment Management SE	Related company of AMB
Allianz Investment Management Singapore Pte Ltd	Related company of AMB
Allianz Global Investors Singapore Limited	Related company of AMB
Allianz Global Investors Asia Pacific Limited	Related company of AMB
Allianz Global Benefits GmbH	Related company of AMB
Allianz Ayudhya Assurance Public Company Limited	Related company of AMB
AWP Services Sdn Bhd	Related company of AMB
Euler Hermes Singapore Services Pte Ltd	Related company of AMB
PT Asuransi Allianz Life Indonesia	Related company of AMB
Allianz China Life Insurance Co. Ltd	Related company of AMB
Allianz Taiwan Life Insurance Co. Ltd	Related company of AMB
Allianz Global Corporate & Specialty SE Singapore Branch	Related company of AMB
Allianz Global Corporate & Specialty SE Hong Kong Branch	Related company of AMB
Allianz Global Corporate & Specialty, Hong Kong	Related company of AMB
Allianz Global Corporate & Specialty SE	Related company of AMB
Allianz Australia	Related company of AMB
Allianz Global Corporate & Specialty SE Germany	Related company of AMB
Allianz Risk Consultants, LLC	Related company of AMB
Rapidpro Consulting Sdn Bhd	Company connected to the CEO of the Company

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 29.2.

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTIES

37.2 The significant transactions with related parties are as follows:

Group	Amount transacted for the year ended 31 December 2019 RM'000	Amount transacted for the year ended 31 December 2018 RM'000
Trade		
Holding company		
Payment of reinsurance premium ceded, net of commission income	(2,134)	(2,792)
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(205,918)	(192,060)
Non-trade		
Holding company		
Payment of personnel expenses	(620)	(783)
Payment of global marketing expenses	(2,292)	(2,140)
Reimbursement of expenses made on behalf	(13)	(29)
Payment of license fees	(38)	(25)
Payment of training and other fees	(81)	(60)
Payment of fees for cyber insurance services	(16)	-
Payment of fees for Human Resource Transformation ("HRT") run services	(286)	-
Payment of fees for sharing of Global procurement (excluding Information Technology ("IT")) services and support	(94)	(197)
Payment for Employee Share Purchase Plan	(1,217)	-
Interest expense on advance received	-	(115)
Payment of business building and regional investment costs	(3,471)	(9,615)
Provision of regional audit services	405	1,087
Reversal for relationship manager fees	-	244
Provision of regional underwriting service	245	361
Payment of personnel expenses	(1,064)	(2,209)
Payment of global technical support fees	(1,858)	(943)
Payment for support of design and development of Global Digital Factory	(52)	(45)
Payment for the development of Allianz One Finance Programme	(34)	(40)
Payment of IT security services	(245)	(203)
Payment of HR consulting fee	-	(56)
Payment of training fees	-	(12)
Payment for reimbursement of expenses	(2)	(29)

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTIES (CONTINUED)

37.2 The significant transactions with related parties are as follows (continued):

Group	Amount transacted for the year ended 31 December 2019 RM'000	Amount transacted for the year ended 31 December 2018 RM'000
Non-trade (continued)		
Related companies*		
Payment of service fees	(1,776)	(1,098)
Reimbursement of other expenses	12,746	4,102
Investment and redemption of funds (including fund management fees)	1,099	674
Payment of investment advisory fees	(2,722)	(2,872)
Performance attribution analysis	(20)	-
Reversal for intranet portal network cost	-	286
Payment of sharing of common expenses	(165)	(181)
Sharing of asset and investment manager database expenses	(474)	(234)
Reversal for/(Payment of) software licenses	1,086	(830)
Reimbursement of life actuarial modeling services	1,252	1,329
(Payment of)/Reversal for Actuarial support center services	(98)	130
Reversal for expenses of HR database platform and recruitment solution	-	83
Payment of training and other fees	(35)	(11)
Reversal for development point of sales system modules	-	75
Payment of annual maintenance and support fees for software system	(363)	(126)
Payment for reimbursement of expenses	(2)	(30)
Payment of annual maintenance and support fee for software system	(1,114)	(2,871)
Payment of development fees	-	(83)
Payment of consultancy fees	-	(1,135)
Payment of software license fees	(4,900)	-
Payment of professional fees	(12)	-
Related party – Company connected to CEO of the Company		
Payment of training and other fees	(1,845)	(1,258)

* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Notes 12, 13, 20 and 21.

NOTES TO THE FINANCIAL STATEMENTS

37. RELATED PARTIES (CONTINUED)

37.2 The significant transactions with related parties are as follows (continued):

Company	Amount transacted for the year ended 31 December 2019 RM'000	Amount transacted for the year ended 31 December 2018 RM'000
Non-trade		
Holding company		
Interest expense on advance received	-	(115)
Provision of regional audit services	405	1,087
Payment of business building and regional investment costs	-	(869)
Payment of license fees	-	(25)
Payment of HR consulting fee	-	(4)
Payment of training fees	-	(53)
Subsidiaries		
Dividend income	199,822	159,630
Reimbursement of other expenses	642	333
Reimbursement of expenses related to common resources	21,122	18,984
Interest income on subordinated loan	2,444	2,444
Rental of other premises	(537)	(83)
Reimbursement of life actuarial modeling services	232	226
Related companies*		
Reimbursement of life actuarial modeling services	1,252	1,329
Payment of marketing expenses	-	(6)

* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Notes 8, 13 and 21.

NOTES TO THE FINANCIAL STATEMENTS

38. RISK MANAGEMENT FRAMEWORK

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is an integrated part of the Group's business process. In order to protect the assets of the Group, the Group has established a risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are properly identified, analysed and evaluated. Risk appetite is defined by a risk strategy and limit structure. Close monitoring and reporting allows the Group to detect deviations from its risk tolerance limits at an early stage.

The Allianz risk management practice consists of the following key areas:

(a) Risk underwriting and identification

A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets form the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

(b) Risk reporting and monitoring

The Group's qualitative and quantitative risk reporting and controlling framework provides transparency and risk indicators to senior management with regards to its overall risk profile and whether the profile is within delegated limits and authorities.

(c) Risk strategy and risk appetite

The Group's risk strategy clearly defines its risk appetite. It ensures that returns are appropriate for the risks taken and that the delegated authorities are in line with the Group's overall risk bearing capacity. The risk-return profile is improved through integration of risk considerations and capital needs into management and decision making process. This also keeps risk strategy and business objectives consistent with each other and allows the Group to take opportunities within its risk appetite.

(d) Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Group's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

Risk governance structure

The Board of Directors of the Company ("the Board") assumes the ultimate responsibility over the effectiveness of the Group's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee ("RMC") to discharge its oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Group. RMC also oversees the Senior Management's activities in managing the key risk areas of the Group and to ensure that the risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of the Group and to report to the Board on its recommendations and/or decisions. Through structured reporting from the Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

NOTES TO THE FINANCIAL STATEMENTS

38. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Risk governance structure (continued)

RMWC serves as and provides a platform for two way communications between the management and the RMC on matters of the Group's risk management framework and its strategies. RMWC is responsible in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendation to the Board. RMWC determines the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversees the compliance of all risk management process by all departments of the Group and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

Asset and Liability Management ("ALM") Framework

The Investment Committee ("IC") has been tasked to manage business practices so that decisions and actions taken with respect to assets and liabilities are coordinated. It involves various management activities and responsibilities, including the formulation of long-term strategic goals and objectives and the management of various risks including liquidity risk, interest rate risk and market risk.

The ALM process chosen will reflect external and internal constraints.

- External constraints include supervisory and legislative requirements, the interests and expectations of policyholders and other stakeholders. A significant constraint is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.

- Internal constraints such as asset allocation limits reflect the Group's management philosophy or professional judgement (although this may also be influenced by external constraints).

Governance and regulatory framework

The Group is required to comply with the requirements of the Financial Services Act, 2013, relevant laws and guidelines required by BNM, including relevant guidelines from Life Insurance Association Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Bursa Securities Malaysia Berhad.

The Group is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws or regulations have priority while the stricter will apply where possible.

39. INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims, frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group seeks to minimise insurance risk through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.1 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 2019							
Whole life	2,415,937	1,448,107	3,864,044	-	1,103	1,103	3,865,147
Endowment	574,916	2,398,284	2,973,200	-	-	-	2,973,200
Mortgage	-	66,000	66,000	-	(34,652)	(34,652)	31,348
Riders and others	709,596	491,470	1,201,066	-	-	-	1,201,066
Total	3,700,449	4,403,861	8,104,310	-	(33,549)	(33,549)	8,070,761
			Note 17(a)			Note 17(a)	Note 17(a)
31 December 2018							
Whole life	2,434,894	1,240,256	3,675,150	-	1,169	1,169	3,676,319
Endowment	563,819	1,858,306	2,422,125	-	-	-	2,422,125
Mortgage	-	66,714	66,714	-	(35,273)	(35,273)	31,441
Riders and others	606,346	422,536	1,028,882	-	-	-	1,028,882
Total	3,605,059	3,587,812	7,192,871	-	(34,104)	(34,104)	7,158,767
			Note 17(a)			Note 17(a)	Note 17(a)

As all of the business is derived from Malaysia, the entire actuarial liabilities are in Malaysia. There is no investment contract issued by ALIM during the current and previous financial years.

Key assumptions

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. They are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.1 Life insurance contracts (continued)

Key assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- Mortality and morbidity rates
  Experience study on mortality and morbidity rates is carried out on an annual basis. The actual claim experience is compared against industrial mortality table and reinsurers' mortality and morbidity risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

  ALIM can increase the mortality/morbidity risk charges in future years in line with emerging experience for investment-linked and universal life contracts.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Expenses
  Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually; it is compared to actual expense that ALIM incurred.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Persistency
  Experience study on persistency (lapse, surrender, premium holiday, partial withdrawal) is carried out on an annual basis using statistical method. Persistency assumptions vary by product type, distribution channel and policy duration.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Discount rate
  In the valuation of the total benefits insurance liabilities of participating life policies, ALIM has assumed a long-term gross rate of return of 4.25% - 6.25% per annum (2018: 4.25% - 6.25% per annum). The long-term gross rate of return is derived based on a basket of strategic asset allocations. ALIM calculates long-term gross rate by assuming each asset class will earn the targeted yield. The strategic asset allocation and targeted yield are reviewed annually in accordance to the ALIM's investment philosophy, market condition and the prevailing long-term market return for each asset class.

  Malaysian Government Securities ("MGS") spot rate is used in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

  Risk-free discount rate for durations of less than 15 years is zero-coupon spot yields of MGS with matching duration. Risk-free discount rate for durations of 15 years or more is zero-coupon spot yields of MGS with 15 years term to maturity. Duration is the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED

39.1 Life insurance contracts (continued)

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	
	2019	2018	2019	2018	2019	2018
Group	%	%	%	%	%	%
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-70	60-70	2.0-20	1.5-25	4.25-6.25	4.25-6.25
Without DPF contracts					MGS	MGS
Life insurance	55-110	60-110	2.0-65	1.5-65	spot yield	spot yield

(1) Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003 or the respective reinsurance risk rates.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.1 Life insurance contracts (continued)

Sensitivities

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit after tax and equity. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Group	Change in assumptions	Impact on profit after tax/equity RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
Life insurance contracts				
31 December 2019				
Mortality and morbidity rates	+5%	(3,600)	9,289	7,143
Discount rate	-0.5%	(13,627)	73,385	72,385
Expenses	+10%	(6,198)	12,218	12,218
Lapse and surrender rates	-10%	(577)	7,387	7,419
31 December 2018				
Mortality and morbidity rates	+5%	(4,595)	9,751	7,667
Discount rate	-0.5%	(15,268)	94,575	93,613
Expenses	+10%	(6,978)	12,152	12,152
Lapse and surrender rates	-10%	419	5,565	5,642

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In the sensitivity analysis above, changes in assumptions for life non-participating business would impact the profit after tax and insurance contract liabilities. In respect of life participating insurance business, it would only impact the insurance contract liabilities.

* The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risk represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below sets out the concentration of the general insurance risk based on the provision for outstanding claims (before impairment of reinsurance assets) as at the end of the reporting period by type of contract.

	2019			2018		
Group	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	360,755	(165,609)	195,146	349,196	(173,342)	175,854
Motor	1,368,723	(94,522)	1,274,201	1,427,041	(129,604)	1,297,437
Marine, aviation, cargo and transit	208,890	(173,930)	34,960	162,879	(133,120)	29,759
Miscellaneous	615,876	(326,295)	289,581	536,275	(281,010)	255,265
Total	2,554,244	(760,356)	1,793,888	2,475,391	(717,076)	1,758,315

Key assumptions

The principal assumption underlying the liability estimates is that the subsidiary's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

No discounting is made to the recommended claims and premium liability provisions as a prudent measure. In addition, no explicit inflation adjustment has been made to claims amount payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development. It is worthwhile to note that discounting is unlikely to result in any material impact due to the short tail nature of almost all classes, coupled with the low prevailing interest rate environment.

The subsidiary has based its risk margin for adverse deviation ("PRAD") for the unexpired risks reserves and insurance claims at the minimum 75% confidence level of sufficiency, according to the requirement set by BNM under the RBC Framework for Insurers.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Sensitivities

Analysis of sensitivity around various scenarios provides an indication of the adequacy of the subsidiary's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after tax RM'000	Impact on equity* RM'000
31 December 2019					
Average claim cost	+10%	254,536	181,949	(138,281)	(138,281)
Average number of claims	+10%	300,307	237,923	(180,822)	(180,822)
Average claim settlement period	Increased by 6 months	30,293	22,305	(16,952)	(16,952)
31 December 2018					
Average claim cost	+10%	253,224	178,746	(135,847)	(135,847)
Average number of claims	+10%	300,059	222,071	(168,774)	(168,774)
Average claim settlement period	Increased by 6 months	39,759	23,715	(18,023)	(18,023)

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the subsidiary believes that the estimate of total claims outstanding as of 31 December 2019 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance claims liabilities as at 31 December 2019:

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		951,237	1,145,412	1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	1,509,464	
One year later		848,149	1,182,773	1,193,164	1,278,469	1,368,219	1,406,527	1,380,596	-	
Two years later		835,047	1,119,096	1,154,151	1,256,084	1,352,452	1,362,861	-	-	
Three years later		834,615	1,096,339	1,141,005	1,235,679	1,325,371	-	-	-	
Four years later		824,626	1,167,402	1,141,354	1,224,698	-	-	-	-	
Five years later		822,964	1,157,674	1,135,385	-	-	-	-	-	
Six years later		811,411	1,132,788	-	-	-	-	-	-	
Seven years later		770,745	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		770,745	1,132,788	1,135,385	1,224,698	1,325,371	1,362,861	1,380,596	1,509,464	

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance claims liabilities as at 31 December 2019 (continued):

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		259,072	344,439	375,685	387,586	514,882	561,727	541,747	575,410	
One year later		544,612	729,326	771,098	861,538	924,136	979,473	946,706	-	
Two years later		648,982	857,382	924,769	1,013,855	1,054,371	1,104,992	-	-	
Three years later		711,572	916,928	986,338	1,070,252	1,116,845	-	-	-	
Four years later		731,860	1,065,902	1,017,591	1,092,007	-	-	-	-	
Five years later		740,708	1,072,513	1,024,854	-	-	-	-	-	
Six years later		741,565	1,077,989	-	-	-	-	-	-	
Seven years later		743,512	-	-	-	-	-	-	-	
Cumulative payments to-date		743,512	1,077,989	1,024,854	1,092,007	1,116,845	1,104,992	946,706	575,410	
Gross general insurance claims liabilities (direct and facultative)	100,624	27,233	54,799	110,531	132,691	208,526	257,870	433,890	934,055	2,260,219
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustment)										44,839
Best estimate of claims liabilities										2,305,058
Claims handling expenses										23,858
PRAD at 75% confidence level										225,328
Gross general insurance claims liabilities										2,554,244

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance claims liabilities as at 31 December 2018:

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		863,518	951,237	1,145,412	1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	
One year later		784,223	848,149	1,182,773	1,193,164	1,278,469	1,368,219	1,406,527	-	
Two years later		754,245	835,047	1,119,096	1,154,151	1,256,084	1,352,452	-	-	
Three years later		749,694	834,615	1,096,339	1,141,005	1,235,679	-	-	-	
Four years later		739,602	824,626	1,167,402	1,141,354	-	-	-	-	
Five years later		731,371	822,964	1,157,674	-	-	-	-	-	
Six years later		728,218	811,411	-	-	-	-	-	-	
Seven years later		714,082	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		714,082	811,411	1,157,674	1,141,354	1,235,679	1,352,452	1,406,527	1,465,757	

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance claims liabilities as at 31 December 2018 (continued):

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		244,889	259,072	344,439	375,685	387,586	514,882	561,727	541,747	
One year later		520,198	544,612	729,326	771,098	861,538	924,136	979,473	-	
Two years later		620,775	648,982	857,382	924,769	1,013,855	1,054,371	-	-	
Three years later		656,267	711,572	916,928	986,338	1,070,252	-	-	-	
Four years later		668,021	731,860	1,065,902	1,017,591	-	-	-	-	
Five years later		675,224	740,708	1,072,513	-	-	-	-	-	
Six years later		678,145	741,565	-	-	-	-	-	-	
Seven years later		679,393	-	-	-	-	-	-	-	
Cumulative payments to-date		679,393	741,565	1,072,513	1,017,591	1,070,252	1,054,371	979,473	541,747	
Gross general insurance claims liabilities (direct and facultative)	103,064	34,689	69,845	85,161	123,764	165,427	298,081	427,054	924,010	2,231,095
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustment)										12,613
Best estimate of claims liabilities										2,243,708
Claims handling expenses										20,967
PRAD at 75% confidence level										210,716
Gross general insurance claims liabilities										2,475,391

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2019:

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		675,019	875,651	971,458	1,101,455	1,200,101	1,279,931	1,316,381	1,288,646	
One year later		616,026	817,971	932,778	1,073,872	1,123,821	1,228,773	1,250,031	-	
Two years later		611,364	811,555	906,323	1,049,986	1,097,165	1,198,917	-	-	
Three years later		612,798	799,099	897,675	1,021,432	1,075,612	-	-	-	
Four years later		605,242	798,047	888,196	1,014,846	-	-	-	-	
Five years later		605,079	791,855	882,916	-	-	-	-	-	
Six years later		594,527	768,990	-	-	-	-	-	-	
Seven years later		571,478	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		571,478	768,990	882,916	1,014,846	1,075,612	1,198,917	1,250,031	1,288,646	

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2019 (continued):

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		216,325	294,253	326,832	356,733	468,300	518,300	507,250	551,634	
One year later		424,771	572,157	638,954	746,891	817,863	896,008	888,891	-	
Two years later		497,895	667,310	743,920	872,368	925,817	998,910	-	-	
Three years later		533,335	704,910	790,073	918,932	972,070	-	-	-	
Four years later		546,263	724,817	809,772	934,819	-	-	-	-	
Five years later		551,615	729,683	815,609	-	-	-	-	-	
Six years later		553,220	733,553	-	-	-	-	-	-	
Seven years later		554,799	-	-	-	-	-	-	-	
Cumulative payments to-date		554,799	733,553	815,609	934,819	972,070	998,910	888,891	551,634	
Net general insurance claims liabilities (direct and facultative)	15,079	16,349	35,437	67,308	80,027	103,542	200,007	361,140	737,012	1,615,901
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										41,020
Best estimate of claims liabilities										1,656,921
Claims handling expenses										23,857
PRAD at 75% confidence level										115,696
Net general insurance claims liabilities										1,796,474

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2018:

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		622,921	675,019	875,651	971,458	1,101,455	1,200,101	1,279,931	1,316,381	
One year later		570,923	616,026	779,429	932,778	1,073,872	1,123,821	1,228,773	-	
Two years later		558,132	593,496	790,197	906,323	1,049,986	1,097,165	-	-	
Three years later		545,581	601,511	784,588	897,675	1,021,432	-	-	-	
Four years later		540,200	597,496	788,068	888,196	-	-	-	-	
Five years later		535,768	598,829	783,298	-	-	-	-	-	
Six years later		534,241	589,308	-	-	-	-	-	-	
Seven years later		525,067	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		525,067	589,308	783,298	888,196	1,021,432	1,097,165	1,228,773	1,316,381	

NOTES TO THE FINANCIAL STATEMENTS

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance claims liabilities as at 31 December 2018 (continued):

Group Accident year	Before 2011 RM'000	2011 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	Total RM'000
At end of accident year		201,756	216,325	294,253	326,832	356,733	468,300	518,300	507,250	
One year later		390,265	424,771	572,157	638,954	746,891	817,863	896,008	-	
Two years later		462,811	497,895	667,310	743,920	872,368	925,817	-	-	
Three years later		487,222	533,335	704,910	790,073	918,932	-	-	-	
Four years later		496,026	546,263	724,817	809,772	-	-	-	-	
Five years later		501,189	551,615	729,683	-	-	-	-	-	
Six years later		504,060	553,220	-	-	-	-	-	-	
Seven years later		504,999	-	-	-	-	-	-	-	
Cumulative payments to-date		504,999	553,220	729,683	809,772	918,932	925,817	896,008	507,250	
Net general insurance claims liabilities (direct and facultative)	16,630	20,068	36,088	53,615	78,424	102,500	171,348	332,765	809,130	1,620,568
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										(92)
Best estimate of claims liabilities										1,620,476
Claims handling expenses										20,967
PRAD at 75% confidence level										119,487
Net general insurance claims liabilities										1,760,930

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS

Exposure to credit, liquidity, market (currency risk, interest rate risk, equity price risk) and operational risk arises in the normal course of the Group's and the Company's business. The Group and the Company are guided by its risk management framework as well as policies and guidelines from the holding company, Allianz SE which set out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

40.1 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.

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

	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
2019									
LAR									
Malaysian government guaranteed loans	-	-	-	-	-	190,504	-	-	190,504
Other loans	-	-	-	-	-	87,864	-	-	87,864
Fixed and call deposits	263,674	352,558	-	-	-	-	113,313	-	729,545
AFS financial investments									
Malaysian government securities	-	-	-	-	-	2,554,680	-	-	2,554,680
Malaysian government guaranteed bonds	-	-	-	-	-	1,846,320	-	-	1,846,320
Ringgit denominated bonds by foreign issuers outside Malaysia	25,389	-	-	-	-	-	-	-	25,389
Unquoted bonds of corporations in Malaysia	798,049	500,881	30,786	3,749	-	-	-	-	1,333,465
Structured deposits and negotiable certificate of deposits with licensed financial institutions	20,348	-	-	-	-	-	-	-	20,348

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

	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
2019 (continued)									
FVTPL - HFT financial investments									
Malaysian government securities	-	-	-	-	-	1,028,505	87,808	-	1,116,313
Malaysian government guaranteed bonds	-	-	-	-	-	751,953	33,778	-	785,731
Ringgit denominated bonds by foreign issuers outside Malaysia	1,525	-	-	-	-	-	3,554	-	5,079
Unquoted bonds of corporations in Malaysia	532,489	390,289	30,955	-	-	2,102	414,524	-	1,370,359
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	780,944	-	-	780,944
Malaysian government guaranteed bonds	-	-	-	-	-	565,583	-	-	565,583
Ringgit denominated bonds by foreign issuers outside Malaysia	10,155	-	-	-	-	-	-	-	10,155
Unquoted bonds of corporations in Malaysia	1,077,094	683,145	20,414	5,181	-	50,448	-	-	1,836,282

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

	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
2019 (continued)									
FVTPL - DUIR financial investments (continued)									
Unquoted bonds of corporations outside Malaysia	-	-	28,182	52,248	-	40,588	-	-	121,018
Structured deposits with licensed financial institutions	892	-	-	-	-	72,560	-	-	73,452
Derivative financial assets									
Collateralised interest rate swap	36,804	-	-	-	-	-	-	-	36,804
Cross currency swap	4,412	-	-	-	-	-	-	-	4,412
Forward purchase agreements	20,961	-	-	-	-	-	-	-	20,961
Reinsurance assets	-	437,418	94,337	31	-	75,125	-	-	606,911
Insurance receivables	-	3,044	36,990	-	-	137,976	-	17,342#	195,352
Other receivables and deposits	-	-	-	-	-	163,474	722	-	164,196
Cash and cash equivalents	887,462	522,913	1,658	-	-	295	187,725	-	1,600,053
	3,679,254	2,890,248	243,322	61,209	-	8,348,921	841,424	17,342	16,081,720

Net of balances which are past due and impaired of RM59,624,000 which has been fully provided (See Note 40.1(ii)).

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Total RM'000
2019							
Fixed and call deposits	2,042	3,864	-	-	-	-	5,906
Other receivables and deposits	-	-	-	-	-	210,913	210,913
Subordinated loan	-	-	-	-	-	54,300	54,300
Cash and cash equivalents	14,256	7,671	-	-	-	-	21,927
	16,298	11,535	-	-	-	265,213	293,046

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018									
LAR									
Malaysian government guaranteed loans	-	-	-	-	-	190,504	-	-	190,504
Other loans	-	-	-	-	-	91,428	-	-	91,428
Fixed and call deposits	193,095	80,808	-	-	-	-	58,097	-	332,000
AFS financial investments									
Malaysian government securities	-	-	-	-	-	2,568,668	-	-	2,568,668
Malaysian government guaranteed bonds	-	-	-	-	-	1,695,168	-	-	1,695,168
Ringgit denominated bonds by foreign issuers outside Malaysia	25,316	-	-	-	-	-	-	-	25,316
Unquoted bonds of corporations in Malaysia	866,592	711,341	-	3,749	-	-	-	-	1,581,682
Structured deposits and negotiable certificate of deposits with licensed financial institution	61,606	-	-	-	-	-	-	-	61,606

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

Group	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018 (continued)									
FVTPL - HFT financial investments									
Malaysian government securities	-	-	-	-	-	788,019	71,040	-	859,059
Malaysian government guaranteed bonds	-	-	-	-	-	583,380	18,340	-	601,720
Ringgit denominated bonds by foreign issuers outside Malaysia	1,519	-	-	-	-	-	3,544	-	5,063
Unquoted bonds of corporations in Malaysia	490,776	401,948	-	-	-	2,050	372,626	-	1,267,400
Structured deposits with licensed financial institutions	15,371	-	-	-	-	-	15,369	-	30,740
FVTPL - DUIR financial investments									
Malaysian government securities	-	-	-	-	-	752,513	-	-	752,513
Malaysian government guaranteed bonds	-	-	-	-	-	494,928	-	-	494,928
Ringgit denominated bonds by foreign issuers outside Malaysia	10,126	-	-	-	-	-	-	-	10,126
Unquoted bonds of corporations in Malaysia	1,035,886	697,553	-	5,180	-	49,201	-	-	1,787,820

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

Group	Neither past-due nor impaired								
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
2018 (continued)									
FVTPL - DUIR financial investments (continued)									
Unquoted bonds of corporations outside Malaysia	-	-	27,357	49,364	-	38,587	-	-	115,308
Structured deposits and negotiable certificate of deposits with licensed financial institutions	71,941	-	-	-	-	-	-	-	71,941
Derivative financial assets									
Collateralised interest rate swap	19,482	-	-	-	-	-	-	-	19,482
Cross currency swap	4,982	-	-	-	-	-	-	-	4,982
Forward purchase agreements	1,595	-	-	-	-	-	-	-	1,595
Reinsurance assets	-	419,446	95,971	28	-	68,485	-	-	583,930
Insurance receivables	-	37,100	36,007	2	-	124,073	-	30,921[#]	228,103
Other receivables and deposits	-	-	-	-	-	149,116	1	-	149,117
Cash and cash equivalents	612,604	419,209	2,663	-	-	537	204,622	-	1,239,635
	3,410,891	2,767,405	161,998	58,323	-	7,596,657	743,639	30,921	14,769,834

[#] Net of balances which are past due and impaired of RM59,704,000 which has been fully provided (See Note 40.1(ii)).

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Total RM'000
2018							
Fixed and call deposits	8	2,008	-	-	-	-	2,016
Other receivables and deposits	-	-	-	-	-	182,759	182,759
Subordinated loan	-	-	-	-	-	54,300	54,300
Cash and cash equivalents	7,509	2,015	-	-	-	-	9,524
	7,517	4,023	-	-	-	237,059	248,599

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.

The Group has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

Group	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Total RM'000
2019					
Insurance receivables	5,609	2,738	2,881	6,114	17,342
2018					
Insurance receivables	7,004	11,150	2,190	10,577	30,921

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

As at 31 December 2019, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM59,624,000 (2018: RM59,704,000), reinsurance assets of RM2,586,000 (2018: RM2,615,000) and other receivables of RM4,558,000 (2018: RM1,471,000) respectively. No collateral is held as security for any past-due or impaired financial assets. The Group records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses for the aforesaid insurance receivables and other receivables are as follows:

	Insurance receivables		Reinsurance assets		Other receivables	
	2019	2018	2019	2018	2019	2018
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	59,704	59,166	2,615	-	1,471	2,022
Impairment loss recognised	157	2,373	(29)	2,615	3,087	694
Written off during the year	(237)	(1,835)	-	-	-	(1,245)
At 31 December	59,624	59,704	2,586	2,615	4,558	1,471
	Note 12	Note 12	Note 9	Note 9	Note 13	Note 13

40.2 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

40. FINANCIAL RISKS (CONTINUED)

40.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2019								
Insurance contract liabilities								
With DPF	4,198,875	1,306,008	430,117	548,601	1,540,648	3,830,192	6,991	7,662,557
Without DPF	6,564,795	6,182,707	58,034	87,290	220,580	163,536	-	6,712,147
Provision for claims	1,872,966	1,184,299	573,917	94,135	20,615	-	-	1,872,966
Lease liabilities	57,124	19,316	37,635	3,720	-	-	-	60,671
Insurance payables	424,051	399,759	24,076	216	-	-	-	424,051
Other payables and accruals	675,200	675,200	-	-	-	-	-	675,200
Total liabilities	13,793,011	9,767,289	1,123,779	733,962	1,781,843	3,993,728	6,991	17,407,592

Company	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
2019								
Other payables and accruals	250,048	250,048	-	-	-	-	-	250,048

Derivative financial liabilities

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2019							
Derivatives held for trading							
Cross currency swaps	-	-	-	(1,244)	-	-	(1,244)
Derivatives used for hedging							
Forward purchase agreements							
– Cash inflows	-	-	-	-	-	-	-
– Cash outflows	(59,275)	(96,807)	-	-	-	-	(156,082)
Net cash outflows	(59,275)	(96,807)	-	(1,244)	-	-	(157,326)

40. FINANCIAL RISKS (CONTINUED)

40.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2018								
Insurance contract liabilities								
With DPF	3,950,423	1,046,194	331,357	517,818	1,657,015	4,872,868	5,980	8,431,232
Without DPF	5,333,833	4,970,397	28,508	96,650	235,147	191,577	-	5,522,279
Provision for claims	1,734,155	1,067,899	538,667	107,578	20,011	-	-	1,734,155
Insurance payables	427,770	403,637	23,661	472	-	-	-	427,770
Other payables and accruals	488,838	488,838	-	-	-	-	-	488,838
Total liabilities	11,935,019	7,976,965	922,193	722,518	1,912,173	5,064,445	5,980	16,604,274

Company	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2018								
Other payables and accruals	154,798	154,798	-	-	-	-	-	154,798

Derivative financial liabilities

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2018							
Derivatives held for trading							
Cross currency swaps	-	-	-	(819)	-	-	(819)
Derivatives used for hedging							
Forward purchase agreements							
– Cash inflows	-	-	-	-	-	-	-
– Cash outflows	(30,353)	(99,258)	(56,824)	-	-	-	(186,435)
Net cash outflows	(30,353)	(99,258)	(56,824)	(819)	-	-	(187,254)

40. FINANCIAL RISKS (CONTINUED)

40.3 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.

40.3.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign currency risk arises principally with respect to US Dollar (USD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk. All foreign currency risk in investment-linked funds is borne by policyholders.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.1 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 2019 RM'000	Investment-linked funds 2019 RM'000	Life fund 2018 RM'000	Investment-linked funds 2018 RM'000
Financial assets Denominated in				
USD	120,157	10,448	114,406	9,884
SGD	-	1,134	-	2,905
THB	-	109	-	113
IDR	-	18,226	-	16,721

Currency risk sensitivity analysis

It is estimated that a 10% (2018: 10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have decreased the insurance contract liabilities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

Group	Impact on insurance contract liabilities 2019 RM'000	Impact on insurance contract liabilities 2018 RM'000
Denominated in		
USD	(13,061)	(12,429)
SGD	(113)	(291)
THB	(11)	(11)
IDR	(1,823)	(1,672)

It is estimated that a 10% (2018: 10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have decreased the insurance contract liabilities by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.2 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 assumed movements of 100 bps in interest rate with all other variables held constant, showing the impact on the profit after tax, equity and insurance contract liabilities.

Life insurance:

Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
31 December 2019				
Interest rate	+100 basis points	(69,698)	(76,411)	(480,977)
Interest rate	-100 basis points	94,872	104,518	622,857
31 December 2018				
Interest rate	+100 basis points	(86,803)	(74,782)	(406,337)
Interest rate	-100 basis points	94,685	81,492	466,321

The impact on profit after tax would be dependent on whether the interest rate risk resides in shareholders' fund, life non-participating fund, life participating fund, or investment-linked funds. Where the interest rate risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit after tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in interest rate risk would affect the insurance contract liabilities.

* Impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

General insurance:

Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000
31 December 2019			
Interest rate	+ 100 basis points	-	(88,665)
Interest rate	+ 50 basis points	-	(44,332)
Interest rate	- 100 basis points	-	88,665
Interest rate	- 50 basis points	-	44,332
31 December 2018			
Interest rate	+ 100 basis points	-	(95,994)
Interest rate	+ 50 basis points	-	(47,997)
Interest rate	- 100 basis points	-	95,994
Interest rate	- 50 basis points	-	47,997

* 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.

40.3.3 Equity price risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity price risk exposures relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments securities not held for the account of the investment-linked business.

The Group's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Group complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.3 Equity price risk (continued)

Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax, equity and insurance contract liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Life insurance:

		2019			2018		
Group	Changes in variables	Impact on profit after tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit after tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
Market indices							
Market value	+10%	-	-	182,429	-	-	134,316
Market value	-10%	-	-	(182,429)	-	-	(134,316)

The impact on profit after tax would be dependent on whether the equity price risk resides in shareholders' fund, life non-participating fund, life participating fund or investment-linked funds. Where the equity price risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit after tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in equity price risk would affect the insurance contract liabilities. The above sensitivity test would yield proxy results if market price were to move in the opposite direction, with the Group.

* Impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

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.

40. FINANCIAL RISKS (CONTINUED)

40.4 Fair value of financial instruments

The Group's and the Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits, negotiable certificate of deposits, collateralised forward starting interest rate swap, collateralised interest rate swap, forward purchase agreements and cross currency swap are based on the indicative market prices from the issuing banks.

- The fair values of quoted equity securities of corporations in and outside Malaysia and quoted unit trusts in Malaysia are based on quoted market bid price as at the end of the reporting period.

- The unquoted equity securities of corporations in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified.

- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank.

- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers.

- The carrying amounts of policy loans, mortgage loans, automatic premium loans, fixed and call deposits, subordinated loan, other secured loans, other financial liabilities and advance from holding company reasonably approximate their fair values.

- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits, insurance payables, other payables and accruals reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by the custodian bank which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Group's investment in unquoted equity securities of corporations in Malaysia due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.4 Fair value of financial instruments (continued)

40.4.1 Fair value information

The table below analyses financial instruments carried at fair value.

Group	Fair value of financial instruments carried at fair value					
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2019						
Financial assets						
Malaysian government securities	-	4,451,937	-	4,451,937	4,451,937	4,451,937
Malaysian government guaranteed bonds	-	3,197,634	-	3,197,634	3,197,634	3,197,634
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,623	-	40,623	40,623	40,623
Quoted equity securities of corporations in Malaysia	1,905,352	-	-	1,905,352	1,905,352	1,905,352
Quoted equity securities of corporations outside Malaysia	1,896	-	-	1,896	1,896	1,896
Unquoted bonds of corporations in Malaysia	-	4,540,106	-	4,540,106	4,540,106	4,540,106
Unquoted bonds of corporations outside Malaysia	-	121,018	-	121,018	121,018	121,018
Quoted unit trusts in Malaysia	75,679	-	-	75,679	75,679	75,679
Unquoted unit trusts in Malaysia	-	619,221	-	619,221	619,221	619,221
Unquoted unit trusts outside Malaysia	-	28,021	-	28,021	28,021	28,021
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	93,800	-	93,800	93,800	93,800
Government guaranteed loans	-	-	-	-	191,506	190,504
Collateralised interest rate swap	-	36,804	-	36,804	36,804	36,804
Forward purchase agreements	-	20,961	-	20,961	20,961	20,961
Cross currency swap	-	4,412	-	4,412	4,412	4,412
	1,982,927	13,154,537	-	15,137,464	15,328,970	15,327,968
Financial liabilities						
Cross currency swap	-	1,244	-	1,244	1,244	1,244
Lease liabilities	-	-	-	-	57,124	57,124
	-	1,244	-	1,244	58,368	58,368

NOTES TO THE FINANCIAL STATEMENTS

40. FINANCIAL RISKS (CONTINUED)

40.4 Fair value of financial instruments (continued)

40.4.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value (continued).

Group	Fair value of financial instruments carried at fair value Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2018						
Financial assets						
Malaysian government securities	-	4,180,240	-	4,180,240	4,180,240	4,180,240
Malaysian government guaranteed bonds	-	2,791,816	-	2,791,816	2,791,816	2,791,816
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,505	-	40,505	40,505	40,505
Quoted equity securities of corporations in Malaysia	1,395,851	-	-	1,395,851	1,395,851	1,395,851
Quoted equity securities of corporations outside Malaysia	3,638	-	-	3,638	3,638	3,638
Unquoted bonds of corporations in Malaysia	-	4,636,902	-	4,636,902	4,636,902	4,636,902
Unquoted bonds of corporations outside Malaysia	-	115,308	-	115,308	115,308	115,308
Quoted unit trusts in Malaysia	62,888	-	-	62,888	62,888	62,888
Unquoted unit trusts in Malaysia	-	215,899	-	215,899	215,899	215,899
Unquoted unit trusts outside Malaysia	-	25,985	-	25,985	25,985	25,985
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	164,287	-	164,287	164,287	164,287
Government guaranteed loans	-	-	-	-	192,278	190,504
Collateralised interest rate swap	-	19,482	-	19,482	19,482	19,482
Forward purchase agreements	-	1,595	-	1,595	1,595	1,595
Cross currency swap	-	4,982	-	4,982	4,982	4,982
	1,462,377	12,197,001	-	13,659,378	13,851,656	13,849,882
Financial liabilities						
Forward purchase agreements	-	1,594	-	1,594	1,594	1,594
Cross currency swap	-	819	-	819	819	819
	-	2,413	-	2,413	2,413	2,413

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 (2018: no transfer in either direction).

NOTES TO THE FINANCIAL STATEMENTS

41. CAPITAL MANAGEMENT

The Group aims to maintain a robust capital management in both its general and life insurance businesses to sustain adequate solvency levels to support business growth, dividend payment to shareholders, return on equity and maintaining capital adequacy above the regulatory requirements. There are no significant changes to the Group's capital management policies and processes during the financial year.

The primary sources of capital of the Group and the Company are shareholder's equity as disclosed in the statement of changes in equity. Share Capital of the Group and the Company comprises ordinary share capital and ICPS.

Regulatory capital requirements

Under the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target capital level will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The insurance subsidiaries of the Group have been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirements.

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 Group'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")'s directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, AGIC received MyCC's notice of proposed decision ("Proposed Decision") that AGIC and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AGIC, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, AGIC submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. AGIC's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard AGIC's Oral Representation, AGIC's solicitors had requested MyCC to hold de novo (new) proceedings in relation to the AGIC's Oral Representation before the new Members of Commission. AGIC's Oral Representation sessions took place on 19 and 20 February 2019. PIAM commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel representing 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation by PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel were heard over 17 and 18 June 2019. No indication was given as to the timeline of the delivery of the decision.

The Proposed Decision is not final as at the date of this report, and AGIC in consultation with its legal advisers will take such appropriate actions to defend its position that it has not been in infringement of Section 4(2)(a) of the CA.

Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

NOTES TO THE FINANCIAL STATEMENTS

43. MATERIAL LITIGATION

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since wound up) ("CAB") previously in respect of CAB's Extended Warranty Program ("EWP").

AGIC took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. AGIC's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, AGIC commenced arbitration proceedings against VSC seeking, inter alia:

(a) A declaration that the reinsurance subsisted until 30 September 2013;
(b) A declaration that VSC will pay and/or indemnify AGIC for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
(c) Damages to be assessed including for loss of profits and breach of contract.

The Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both parties then filed further written submissions bringing the arbitration proceedings to an end.

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC ("Award") whilst the Dissenting Arbitrator found in favour of AGIC.

The Award ordered AGIC to pay the following:

(a) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
(b) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
(c) RM668,160.69 for costs and expenses incurred by VSC; and
(d) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

As AGIC's solicitors were of the view that there are reasonable grounds to seek a review of the majority decision, an Originating Summons was filed in the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under section 37(2)(b)(ii) of the Arbitration Act 2005 ("Act") and for a Reference of Questions of law under section 42 of the Act. The matter was first heard on 18 February 2019 and hearing continued on 13 March 2019 and concluded on 18 April 2019. On 28 June 2019, the Court declined AGIC's application to set aside the Award ("Decision"). Based on AGIC's solicitors' advice, a Notice of Appeal against the Decision was filed on 15 July 2019 at the Court of Appeal. At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019 and since then the matter has since come up for case management on 20 November 2019 and 13 January 2020. On 13 January 2020, the Court of Appeal fixed a further case management for 19 February 2020 as AGIC's solicitors have yet to receive the High Court's substantive Grounds of Decision. On 17 February 2020, the Court of Appeal wrote to parties' solicitors to give notice that the case management fixed for 19 February 2020 has been rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors have yet to receive the High Court's substantive Grounds of Decision. As such, a further case management was fixed for 8 April 2020.

NOTES TO THE FINANCIAL STATEMENTS

43. MATERIAL LITIGATION (CONTINUED)

Meanwhile, VSC's solicitors had filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC requiring AGIC to pay VSC all the costs ordered by the Award. AGIC's solicitors then filed a stay application on VSC's OS. On 25 October 2019, as VSC's solicitors had no objections to AGIC's stay application, a further case management date was fixed for 7 November 2019, in order for the stay order to be formally recorded before a Judge. On 7 November 2019, the Judge allowed AGIC's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC'S OS should be withdrawn and filed afresh (should VSC succeed in dismissing the appeal), a further case management was fixed for 9 December 2019 in order for VSC's solicitors to obtain VSC's instructions. At the case management on 9 December 2019, as VSC's solicitors confirmed that they had instructions to withdraw VSC's OS, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS

Group

MFRS 9, ***Financial Instruments*** replaces the guidance in MFRS 139, ***Financial Instruments: Recognition and Measurement*** on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018.

The Group has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, ***Financial Instruments*** with MFRS 4, ***Insurance Contracts*** ("the Amendments") which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. Hence, the Group has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

The Amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9, ***Financial Instruments*** before the forthcoming new insurance contracts standard.

The Amendments provide 2 different approaches for the Group:

(i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
(ii) the overlay approach. Both approaches are optional.

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2021 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

The Group's business activity is predominantly insurance as the liabilities connected with the Group's insurance businesses made up approximately 90% of the Group's total liabilities. Hence, the Group qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17 for the financial year beginning on or after 1 January 2021.

NOTES TO THE FINANCIAL STATEMENTS

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS (CONTINUED)

Group (continued)

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Group's financial assets by their contractual cash flows characteristics, which indicate if they are SPPI:

Fair value as at 31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Investments (Note 10)	6,700,251	9,297,232	15,997,483
Malaysian government securities and government guaranteed bonds	4,401,000	3,248,571	7,649,571
Unquoted bonds of corporations	1,358,854	3,342,893	4,701,747
Quoted equity securities and unit trusts	-	1,982,927	1,982,927
Unquoted equity securities and unit trusts	-	649,389	649,389
Negotiable certificates of deposits and structured deposits	20,348	73,452	93,800
Government guaranteed loans	190,504	-	190,504
Fixed and call deposits with licensed banks	729,545	-	729,545
Derivative financial assets	-	62,177	62,177
Other receivables and deposits	164,196	-	164,196
Cash and cash equivalents	1,600,053	-	1,600,053
	8,464,500	9,359,409	17,823,909

Changes in fair value during the year	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Investments			
Malaysian government securities and government guaranteed bonds	243,060	178,503	421,563
Unquoted bonds of corporations	29,586	117,014	146,600
Quoted equity securities and unit trusts	-	60,511	60,511
Unquoted equity securities and unit trusts	-	3,486	3,486
Negotiable certificates of deposits and structured deposits	(107)	(97)	(204)
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	35,801	35,801
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	272,539	395,218	667,757

* Insurance receivables, reinsurance assets, policy loans, automatic premium loans and deferred acquisition cost have been excluded from the above assessment as they will be under the scope of MFRS 17, ***Insurance Contracts***. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, ***Insurance Contracts***, all other assets in the statement of financial position are non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS (CONTINUED)

Group (continued)

Financial assets with SPPI cash flows*

Gross carrying amounts under MFRS 139 by credit risk rating grades	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000	Investment-linked funds RM'000	Total RM'000
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	4,401,000	-	4,401,000
Unquoted bonds of corporations	823,438	500,881	30,786	11,097	-	-	-	1,366,202
Negotiable certificates of deposits and structured deposits	20,348	-	-	-	-	-	-	20,348
Government guaranteed loans	-	-	-	-	-	190,504	-	190,504
Fixed and call deposits with licensed banks	263,674	352,558	-	-	-	-	113,313	729,545
Other receivables and deposits	-	-	-	-	-	163,474	722	164,196
Cash and cash equivalents	887,462	522,913	1,658	-	-	295	187,725	1,600,053
	1,994,922	1,376,352	32,444	11,097	-	4,755,273	301,760	8,471,848

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251 (2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 138 to 272 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Datuk (Dr.) Rafiah Binti Salim
Director

Dato' Dr. Thillainathan A/L Ramasamy
Director

Kuala Lumpur
Date: 27 February 2020

STATUTORY DECLARATION

PURSUANT TO SECTION 251 (1)(B) OF THE COMPANIES ACT 2016

I, **Ong Eng Chow**, the officer primarily responsible for the financial management of Allianz Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 138 to 272 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 27 February 2020.

Ong Eng Chow

Before me:

Gurdeep Singh A/L Jag Singh
No. W607
Pesuruhjaya Sumpah
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Allianz Malaysia Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 138 to 272.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 financial 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.

Key audit matters	How our audit addressed the key audit matters
Valuation of actuarial liabilities – life insurance contract liabilities Refer to accounting policy in 2.16.5, 2.25.2 and Notes 17(a) and 39.1 of the Financial Statements. As at 31 December 2019, the Group's life insurance contract liabilities comprise actuarial liabilities of RM8,104 million, which account for approximately 51% of the Group's total liabilities. The actuarial liabilities have been estimated based on actuarial valuation methodologies as allowed under the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM"). We focused on management's valuation of the actuarial liabilities as it involves significant judgement about uncertain future outcomes, including assumptions on mortality, morbidity, expense, lapse and discount rates, as well as actuarial valuation methodologies.	Our audit procedures included the following: We evaluated the design and tested key controls over the life actuarial reserving process, including controls over the reliability of data used in the calculation of actuarial liabilities. We engaged our actuarial experts to assist us in assessing if the valuation methodologies used by the Group is in line with the valuation methods specified in the RBC Framework and liability adequacy test under MFRS 4 'Insurance Contract'. We also compared if the valuation methodologies are consistent with recognised actuarial practices from market experience. We assessed the reasonableness of the key actuarial assumptions, particularly around mortality, morbidity, lapse, expense, and discount rates by: i) Reviewing the approach used by management to derive the assumptions using our industry knowledge and experience; ii) Comparing them with the Group's actual historical experience, market observable data (as applicable) and our views of current trends and experience to-date. We performed an independent review of model points on sample basis to assess if the methodologies and assumptions reviewed have been consistently applied. We assessed the analysis of movements in actuarial liabilities to determine whether the movements during the year are consistent with key actuarial assumptions adopted by the Group and our knowledge of developments in the life insurance business. We assessed the appropriateness and adequacy of the Group's disclosures in relation to actuarial liabilities in the financial statements, including sensitivity analysis of the key actuarial assumptions to different scenarios. Based on the procedures performed, we found the methodologies and key assumptions used by the Group in the valuation of actuarial liabilities as at 31 December 2019 to be appropriate.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of general insurance contract liabilities Refer to accounting policy in 2.15.5, 2.25.1 and Notes 17(b) and 39.2 of the Financial Statements. As at 31 December 2019, the Group has general insurance contract liabilities of RM3,659 million, consisting of claims liabilities and premium liabilities, which account for approximately 23% of the Group's total liabilities. **Claims Liabilities** We focused our audit on this area because of the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain. The valuation of general insurance claims liabilities involves a range of standard actuarial methodologies as allowed under the RBC Framework and relies on a number of assumptions including past claims development experiences, management's judgment on external factors and regulatory changes, and internal factors such as portfolio mix and claims handling process. The estimation of claims liabilities is sensitive to various factors and uncertainties as discussed in Note 2.25.1. **Premium Liabilities** As at 31 December 2019, the Group has accounted for RM1,104 million of gross premium liabilities, based on the higher of Unexpired Risk Reserves ("URR") of RM920 million and Unearned Premium Reserves ("UPR") of RM1,104 million as required under the RBC Framework. We focused on this area as the estimation of URR involves significant judgement in identifying best estimate values of future contractual cash flows in consideration of the expected loss and expenses for policies in-force as at year-end at the required risk margin for adverse deviation.	Our audit procedures included the following: We evaluated the design and tested key controls over reserving process, including controls over the completeness and accuracy of premium data, and settlement of claims that support key reserving calculations and controls over the valuation of claims and premium liabilities. We tested the underlying data used in estimation of general insurance contract liabilities to source documents. We engaged our actuarial experts to assist us in reviewing and assessing the methodologies, basis and key assumptions used in the valuation of claims liabilities and premium liabilities in accordance with the requirements of the RBC Framework and liability adequacy test under MFRS 4 'Insurance Contracts'. We reviewed and assessed the reasonableness of key actuarial assumptions by referencing to the Group's historical experiences, current trends and our own industry knowledge. Our actuarial experts performed independent re-projections of claims liabilities and unexpired risk reserves ("URR") respectively for selected major classes of business, focusing on the largest and most uncertain claims reserves and URR. The re-projected claims liabilities and URR are compared to those recorded by management and evaluated if they are within reasonable range. We also assessed the appropriateness and adequacy of the Group's disclosures in relation to the general insurance contract liabilities in the financial statements, including the historical claims development and sensitivity analysis of key assumptions used in the valuation of insurance contract liabilities. Based on the procedures performed, we found the methodology and key assumptions used by the Group in the valuation of general insurance contract liabilities as at 31 December 2019 to be appropriate.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters (continued)

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Director's Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and the remaining parts of the annual report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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 financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH
02954/03/2021 J
Chartered Accountant

Kuala Lumpur
27 February 2020

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