Allianz
Insurance solutions from A-Z

Allianz Malaysia Berhad (12428-W)

2010 Annual Report

Allianz

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Contents

Allianz Malaysia's Vision, Mission and Values

Our Vision :

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

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

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

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

Our Mission :

Insurance solutions from A – Z

Allianz Malaysia's Five Core Values

Our values are who we are. These are and will be our guiding principles in achieving a 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 Social Responsibility

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 37th Annual General Meeting of Allianz Malaysia Berhad will be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 23 June 2011 at 10.00 a.m. for the following purposes:-

AGENDA

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2010 and the Directors' and Auditors' Reports thereon.	Resolution 1
2.	To approve the payment of a first and final dividend of 3.50 sen per ordinary share less 25 percent tax for the financial year ended 31 December 2010.	Resolution 2
3.	To approve the payment of Directors' fees of RM214,395 for the financial year ended 31 December 2010 (2009: RM214,333).	Resolution 3
4.	To re-elect the following Directors:-	
	(a) Y. Bhg Dato' Seri Nik Abidin Bin Nik Omar, who retires by rotation in accordance with Article 96 of the Articles of Association of the Company and being eligible, offers himself for re-election.	Resolution 4
	(b) Mr. Jens Reisch, who retires by rotation in accordance with Article 102 of the Articles of Association of the Company and being eligible, offers himself for re-election.	Resolution 5
5.	To re-appoint Y. Bhg. Tan Sri Razali Ismail as a Director of the Company and to hold office until the conclusion of the next Annual General Meeting of the Company pursuant to Section 129(6) of the Companies Act, 1965.	Resolution 6
6.	To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration.	Resolution 7
7.	**Special Business**	
	To consider and if thought fit, pass the following ordinary resolution:-	Resolution 8

Proposed Renewal of Shareholders' Mandate

"THAT subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations with the Related Parties as specified in section 2.2 of the Circular dated 1 June 2011, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders;

AND THAT such authority shall take effect from the passing of this Ordinary Resolution and shall continue in force until:-

(i) the conclusion of the next Annual General Meeting ("AGM") of the Company, at which time it will lapse, unless by ordinary resolution passed at the said AGM, the authority is renewed; or

(ii) the expiration of the period within which next AGM is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Companies Act, 1965); or

(iii) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing all documents as may be required) to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

8. To transact any other business for which due notice shall have been given.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT the first and final dividend of 3.50 sen per ordinary share less 25 percent tax in respect of the financial year ended 31 December 2010, if approved at the 37th Annual General Meeting, will be paid on 8 August 2011 to shareholders whose names appear in the Register of Members and/or the Record of Depositors at the close of business on 15 July 2011.

A Depositor shall qualify for entitlement to the dividends only in respect of:-

(a) Shares transferred into the Depositor's Securities Account before 4.00 p.m. on 15 July 2011 in respect of transfers;

(b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 13 July 2011 in respect of shares exempted from mandatory deposit; and

(c) Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

NG SIEW GEK
Secretary

Kuala Lumpur
1 June 2011

NOTES:-

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
5. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the Annual General Meeting.

NOTE TO HOLDERS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE ("ICPS")

The holders of the ICPS shall entitle to attend the 37th Annual General Meeting but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 71 of this Annual Report.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Resolution 8 – Proposed Renewal of Shareholders' Mandate

This proposed resolution, if passed, will enable the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with the Related Parties.

Detailed information in relation to the Proposed Renewal of Shareholders' Mandate are set out in the Circular to Shareholders dated 1 June 2011, despatched together with this Annual Report.

STATEMENT ACCOMPANYING NOTICE OF 37TH ANNUAL GENERAL MEETING

(A) Directors who are seeking re-election at the 37th Annual General Meeting

- Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar
- Mr. Jens Reisch

(B) Director who is seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965, at the 37th Annual General Meeting

- Y. Bhg. Tan Sri Razali Ismail

The details of the above Directors are set out in the Board of Directors' profiles on pages 16 to 29 of this Annual Report.

Corporate Information

STOCK EXCHANGE LISTING
Main Market of Bursa Malaysia Securities Berhad

STOCK CODE
1163
1163PA

CLASS OF SHARES
Ordinary Share
Irredeemable Convertible Preference Share

COMPANY SECRETARY

Ng Siew Gek

REGISTERED OFFICE

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22641188/03-22640688
Fax : 03-22641186

HEAD OFFICE

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22641188/22640688
Fax : 03-22641199
www.allianz.com.my

SHARE REGISTRARS

Tricor Investor Services Sdn Bhd
Level 17, The Gardens North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 03-22643883
Fax : 03-22821886

AUDITORS

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

PRINCIPAL BANKERS

CIMB Bank Berhad

Citibank Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

PRINCIPAL SOLICITORS

Wong & Partners

SENIOR MANAGEMENT OF ALLIANZ MALAYSIA BERHAD GROUP

Jens Reisch
Chief Executive Officer of Allianz Malaysia Berhad (“AMB”) and Allianz Life Insurance Malaysia Berhad (“ALIM”)

Zakri Bin Mohd Khir
Chief Executive Officer of Allianz General Insurance Company (Malaysia) Berhad (“AGIC”)

Ong Eng Chow
Chief Financial Officer of AMB and ALIM

Lee Chi Kwan
Head of Finance of AGIC

Lim Li Meng
Group Chief Market Management Officer

Wang Wee Keong
Chief Operations Officer of AMB and AGIC

Giam Hock Hai
Chief Operations Officer of ALIM

Ong Pin Hean
Chief Sales Officer of ALIM

Horst Hermann Habbig
Chief Sales Officer of AGIC

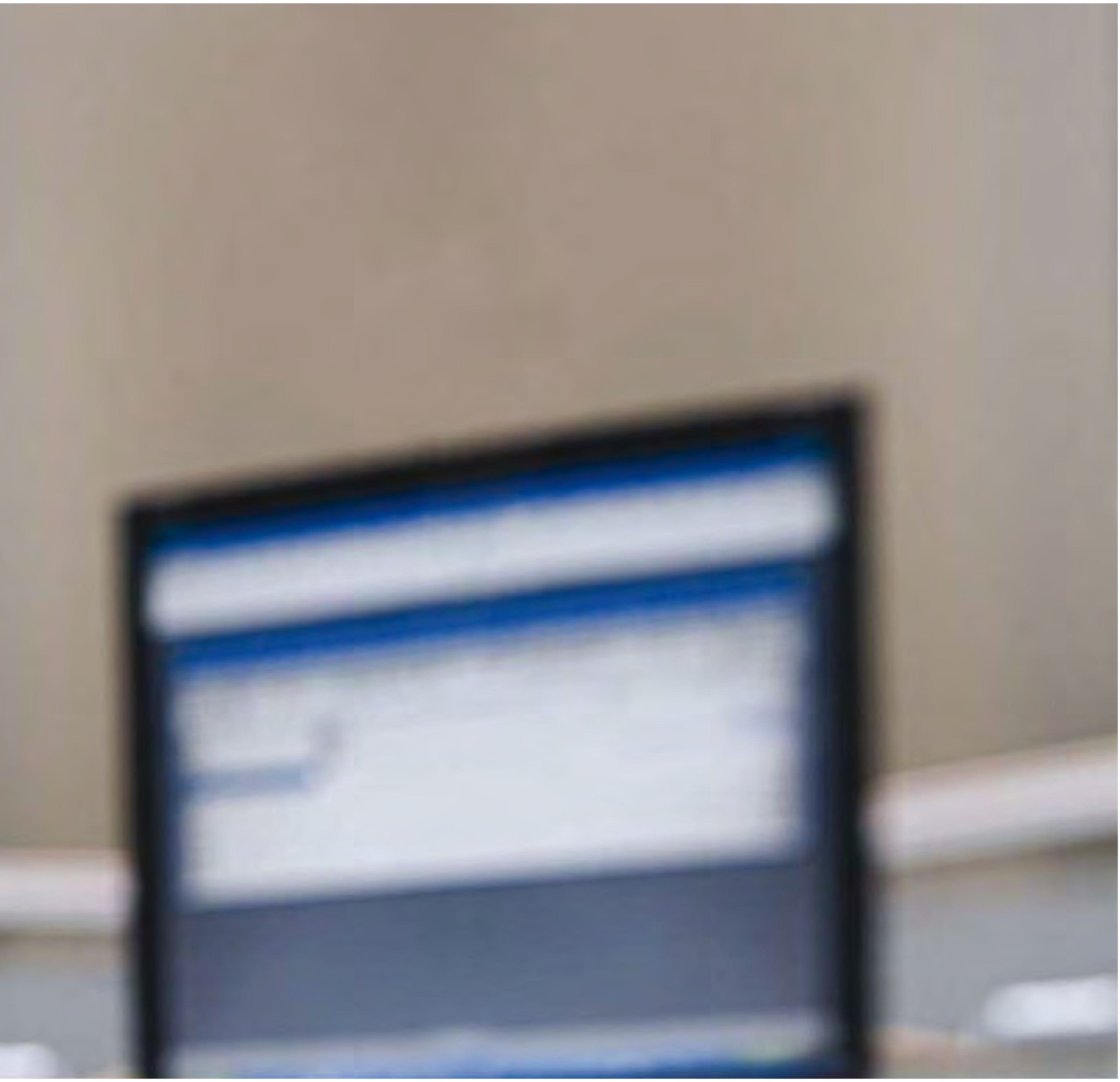
Chin Tze How
Appointed Actuary of ALIM

Chiang Bin Fong
Group Head of IT

Wong Woon Man
Group Head of Human Resources

Customer Focus

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



Nationwide Network

ALLIANZ GENERAL INSURANCE COMPANY (MALAYSIA) BERHAD NETWORK OF OFFICES

CUSTOMER CONTACT / SERVICE CENTRE
Ground Floor, Block 2A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22640700
Fax : 03-22636000
Toll-free : 1300-88-1028
www.allianz.com.my

CENTRAL REGION

CENTRAL REGIONAL OFFICE
Wisma Allianz, 2nd Floor
33, Jalan Gereja
50100 Kuala Lumpur
Tel : 03-20312211
Fax : 03-20724628

KUALA LUMPUR
Wisma Allianz
33, Jalan Gereja
50100 Kuala Lumpur
Tel : 03-20312211
Fax : 03-20789918

PETALING JAYA
No. 15, Ground, 1st, 2nd & 3rd Floor
Jalan 8/1D, Section 8
46050 Petaling Jaya
Selangor
Tel : 03-79564629/79564621
Fax : 03-79548210/79556727

KLANG
No. 11, Ground, 1st & 2nd Floor
Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang
Selangor
Tel : 03-33429008/33420639
Fax : 03-33421901

KAJANG
No. 17 & 17a
Ground & Mezzanine Floor
Jalan M/J1, Taman Majlis Jaya
Sungai Chua, 43000 Kajang
Selangor
Tel : 03-87339078/87337395
: 03-87340371/87340501
Fax : 03-87336985

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

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

SEREMBAN
No. 44, Ground, 1st & 2nd Floor
Jalan S2 B18, Biz Avenue
70300 Seremban 2
Negeri Sembilan
Tel : 06-6013636
Fax : 06-6013344

PERAK STATE

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

TELUK INTAN
No. 77-G, Ground, 1st & 2nd Floor
Jalan Intan 4, Bandar Baru
36000 Teluk Intan
Perak
Tel : 05-6215882/6217731
: 05-6217732
Fax : 05-6225229

SITIAWAN
No. 77 & 78, 1st & 2nd Floor
Jalan Sejahtera 2
Medan Sejahtera, Jalan Lumut
32000 Sitiawan
Perak
Tel : 05-6912277/6928425
: 05-6928427
Fax : 05-6928429

TAIPING
No. 62, 1st Floor
Jalan Barrack
34000 Taiping
Perak
Tel : 05-8068688/8068976
Fax : 05-8088975

NORTHERN REGION

NORTHERN REGIONAL OFFICE
No. 6770, 1st Floor
Jalan Kg. Gajah
12200 Butterworth
Penang
Tel : 04-3239778
(Northern Region)
Tel : 04-3245175
(Northern Region Hub)
Fax : 04-3319778

PENANG
Level 27, Menara BHL
51, Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-2266055
Fax : 04-2277055

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

BUTTERWORTH
No. 6770 & 6771
Ground & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Penang
Tel : 04-3333188
Fax : 04-3310572

ALOR SETAR
No. 300 & 301
Ground, 1st & 2nd Floor
Jalan Lumpur
05100 Alor Setar
Kedah
Tel : 04-7328575/7334655
Fax : 04-7337868

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

EAST COAST REGION

EAST COAST REGIONAL OFFICE
No. 46, 2nd Floor
Jalan Gambut
25000 Kuantan
Pahang
Tel : 09-5177662
Fax : 09-5177663

Nationwide Network

KUANTAN
No. 46, Ground, 1st & 2nd Floor
Jalan Gambut
25000 Kuantan
Pahang
Tel : 09-5144936 / 5143276
Fax : 09-5142936

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

KUALA TERENGGANU
Pt 3357 P, Ground,1st & 2nd Floor
Jalan Sultan Zainal Abidin
20000 Kuala Terengganu
Terengganu
Tel : 09-6223678/6223233
Fax : 09-6301233/6318516

KOTA BHARU
Lot 1184, Ground,1st & 2nd Floor
Jalan Kebun Sultan
15350 Kota Bharu
Kelantan
Tel : 09-7481196/7444566
Fax : 09-7446766

SOUTHERN REGION

SOUTHERN REGIONAL OFFICE
No. 84, 2nd Floor
Jalan Serampang
Taman Pelangi
80400 Johor Bahru
Johor
Tel : 07-3340166
Fax : 07-3316881

JOHOR BAHRU
No. 84, Ground, 1st & 2nd Floor
Jalan Serampang
Taman Pelangi
80400 Johor Bahru
Johor
Tel : 07-3340166/3340160
Fax : 07-3340167

KLUANG
No. 5, Ground, 1st & 2nd Floor
Jalan Persiaran Yayasan
86000 Kluang
Johor
Tel : 07-7723255/7732530
Fax : 07-7738097

SEGAMAT
No. 52, 2nd Floor
Jalan Susur Genuang
85000 Segamat
Johor
Tel : 07-9328117/9329117
Fax : 07-9322117

MELAKA
No. 374, Ground & 1st Floor
Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka
Tel : 06-2833821
Fax : 06-2844198

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

SABAH REGION

SABAH REGIONAL OFFICE
Lot 30, Block E, 3rd Floor
Sedco Complex
Jalan Albert Kwok
Locked Bag 69
88000 Kota Kinabalu
Sabah
Tel : 088-236589
Fax : 088-238589

KOTA KINABALU
Lot 30, Block E
Ground, 1st, 2nd & 3rd Floor
Sedco Complex
Jalan Albert Kwok
Locked Bag 69
88000 Kota Kinabalu
Sabah
Tel : 088-221397/221606
: 088-216197
Fax : 088-224870

LAHAD DATU
Ground & 2nd Floor, Mdld 6887
Block P, Lot 1, Bangunan Sudc
91100 Lahad Datu
Sabah
Tel : 089-880388/880488
Fax : 089-880188

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

TAWAU
TB 320, Ground, 1st & 2nd Floor
Block 38, Fajar Complex
Jalan St. Patrick
91000 Tawau
Sabah
Tel : 089-779055/772976
Fax : 089-763015

SARAWAK REGION

SARAWAK REGIONAL OFFICE
Lot 1374, 2nd Floor
Centrepoint Commercial
Centre (Phase 2)
Block 10, Miri Concession
Land District, Kubu Road
98000 Miri
Sarawak
Tel : 085-417828
Fax : 085-417054

MIRI
Lot 1374, Ground,
1st & 2nd Floor
Centrepoint Commercial
Centre (Phase 2)
Block 10, Miri Concession
Land District, Kubu Road
98000 Miri
Sarawak
Tel : 085-423829/416828
Fax : 085-419153

SIBU
No. 12-I, Ground,
1st, 2nd & 3rd Floor
Jalan Kampung Datu
96000 Sibu
Sarawak
Tel : 084-332469/343205
Fax : 084-332470

KUCHING
1st, 2nd & 3rd Floor
Sublot No. 3, Block 10
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sarawak
Tel : 082-417842/413849
: 082-419950/254007
Fax : 082-424624

SARIKEI
No. 72, 1st Floor & 2nd Floor
Repok Road
96108 Sarikei
Sarawak
Tel : 084-652577/651877
Fax : 084-653908

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD NETWORK OF OFFICES

CUSTOMER CONTACT / SERVICE CENTRE
Ground Floor, Block 2A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Tel : 03-22640700
Fax : 03-22636000
Toll-free : 1300-88-1028
www.allianz.com.my

CENTRAL REGION

JALAN PINANG
Lot G7 Wisma UOA II
No. 21, Jalan Pinang
50450 Kuala Lumpur
Tel : 03-21638005
Fax : 03-21648005

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

DESA JAYA - KEPONG
Wisma Allianz Life
No. 11-14, Jalan 53
Desa Jaya Commercial Centre
Taman Desa
52100 Kepong
Kuala Lumpur
Tel : 03-62758000
Fax : 03-62757100

KLANG
No. 46, Ground Floor
Jalan Tiara 2C
Bandar Baru Klang
41150 Klang
Selangor
Tel : 03-33453253
Fax : 03-33453288

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

NORTHERN REGION

PENANG
Level 27, Menara BHL
51, Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-2292868
Fax : 04-2298858

BUKIT MERTAJAM
No. 487, Ground & 1st Floor
Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Penang
Tel : 04-5377231
Fax : 04-5378231

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

SUNGAI PETANI
No. 62B, 2nd Floor
Jalan Pengkalan
Pekan Baru
08000 Sungai Petani
Kedah
Tel : 04-4256863
Fax : 04-4256861

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

EAST COAST REGION

KUANTAN
No. 46, Ground Floor
Jalan Gambut
25000 Kuantan
Pahang
Tel : 09-5144936
Fax : 09-5142936

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

SOUTHERN REGION

JOHOR BAHRU
No. 86, Ground, 1st & 2nd Floor
Jalan Serampang
Taman Pelangi
80400 Johor Bharu
Johor
Tel : 07-3325981
Fax : 07-3326462

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

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

BATU PAHAT
No. 1-2, 1-2A, Ground Floor
Jalan Maju 1, Taman Maju
83000 Batu Pahat
Johor
Tel : 07-4343313
Fax : 07-4332166

YONG PENG
No. 16a, 1st Floor
Jalan Bayan, Taman Sembrong Barat
83700 Yong Peng
Johor
Tel : 07-4676720
Fax : 07-4679400

SABAH REGION

KOTA KINABALU
Lot 29, Block E, 2nd Floor
Sedco Complex
Jalan Albert Kwok
Locked Bag No 69
88000 Kota Kinabalu
Sabah
Tel : 088-224551
Fax : 088-224506

SANDAKAN
Lot 8, Ground Floor, Block 2
Bandar Indah, Mile 4 North Road
W.D.T No. 291
90000 Sandakan
Sabah
Tel : 089-274842
Fax : 089-274843

TAWAU
TB 320, Ground Floor
Block 38, Fajar Complex
Jalan St. Patrick
91000 Tawau
Sabah
Tel : 089-765054
Fax : 089-764554

SARAWAK REGION

KUCHING
Ground Floor, Sublot No. 3
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sarawak
Tel : 082-246515
Fax : 082-246713

MIRI
Lot 1374, Ground Floor
Centrepoint Commercial
Centre (Phase 2)
Block 10, Miri Concession
Land District, Kubu Road
98000 Miri
Sarawak
Tel : 085-410326
Fax : 085-424328

SIBU
Lot 1726, 12-H, 1st & 2nd Floor
Jalan Kampung Datu
96000 Sibu
Sarawak
Tel : 084-346515
Fax : 084-326448

Board of Directors / Chief Executive Officer and their Profiles as at 6 May 2011

Y. BHG. TAN SRI RAZALI ISMAIL

Chairman – Independent Non-Executive Director

Y. Bhg. Tan Sri Razali Ismail, aged 72, Malaysian, was appointed to the Board of the Company on 25 September 2001. He is a member of the Audit Committee and Nominating Committee of the Company.

He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1962. In 1993, he received an Honorary Doctorate from the National University of Malaysia and in 1998, an Honorary Doctorate in Law from the University Science Malaysia.

He retired from government in 1998 after a career in the Malaysian Diplomatic Service over 35 years. In that period, he was assigned to various countries including to senior posts as Ambassador to Poland (and German Democratic Republic, Czechoslovakia and Hungary – 1978-1982), Ambassador to India (1982-1985), Deputy Secretary-General (Political Affairs at the Ministry - 1985-1988), and finally Malaysia's Ambassador to the United Nations (1988-1998). He served in various capacities at the United Nations, inter alia, as Chairman of the Group of 77 in 1989, Chairman of the Commission on Sustainable Development in 1993 and as President of the United Nations General Assembly 1996-1997 session. He was closely involved in articulating and developing positions in various bodies on issues such as development and sustainability, poverty and marginalisation, political reforms in the United Nations especially the Security Council and the General Assembly and issues of human rights and the environment. He continues to keep abreast on these subjects at home and abroad, through participation at seminars and interacting with personalities and bodies, ties established from earlier years. He was the United Nations Secretary-General's Special Envoy for Myanmar for more than 5 years (2000-2005).

In Malaysia, he is involved in information technology and environmental industries, is the Pro Chancellor of the University Science Malaysia, Chairman of the National Peace Volunteer Corps (Yayasan Salam), and Chairman of a grant organisation on Natural Disaster, Force of Nature, heads a non-governmental organisation project known as Yayasan Chow Kit, a government supported project on street and displaced children. He is also an on the ground environmentalist especially over the protection and replanting of mangroves. He was previously the President of the World Wide Fund, Malaysia. He also sits on the Board of the Institute of Strategic and International Studies, Malaysia.

Y. Bhg. Tan Sri Razali's other directorships in public companies are as follows:-

1. Chairman of Allianz General Insurance Company (Malaysia) Berhad;
2. Chairman of Allianz Life Insurance Malaysia Berhad;
3. Chairman of IRIS Corporation Berhad;
4. Chairman of Leader Universal Holdings Berhad; and
5. Chairman of Cypark Resources Berhad.

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

Y. Bhg. Tan Sri Razali does not hold any share in the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

He attended all of the 8 Board Meetings held during the financial year ended 31 December 2010.

Board of Directors / Chief Executive Officer and their Profiles as at 6 May 2011

Y. BHG. DATO' SERI NIK ABIDIN BIN NIK OMAR
Independent Non-Executive Director

Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar, aged 67, Malaysian, was appointed to the Board of the Company on 5 January 2000. He is the Chairman of the Risk Management Committee, Nominating Committee and Remuneration Committee and a member of the Audit Committee of the Company.

He obtained his Bachelor of Arts (Honours) degree from the University of Malaya in 1968.

He was a senior official of the Malaysian Government from 1968 till his retirement in 1999 serving in various capacities. He was the State Financial Officer of the State Government of Penang from 1979 to 1982 and President of the Municipal Council of Seberang Prai from 1982 to 1984. He was the UnderSecretary of Finance Division of the Ministry of Home Affairs from 1984 to 1990 followed by the appointment as the State Secretary of Perlis from 1990 to 1994. He was appointed the Director-General of the National Registration Department of Malaysia from 1994 to 1997. Prior to his retirement with the Government, he was the Deputy Secretary General of the Ministry of Home Affairs.

Y. Bhg. Dato' Seri Nik Abidin's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad; and
2. Allianz Life Insurance Malaysia Berhad.

Y. Bhg. Dato' Seri Nik Abidin does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

He attended all of the 8 Board Meetings held during the financial year ended 31 December 2010.

Board of Directors / Chief Executive Officer and their Profiles as at 6 May 2011

MR. FOO SAN KAN
Independent Non-Executive Director

Mr. Foo San Kan, aged 62, Malaysian, was appointed to the Board of the Company on 25 November 2005. He is the Chairman of the Audit Committee and a member of the Risk Management Committee, Remuneration Committee and Nominating Committee of the Company.

He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Institute of Chartered Accountants in England & Wales and the Chartered Tax Institute of Malaysia.

He was the Country Managing Partner of Ernst & Young Malaysia from 1997 to 2002 before he retired as a practising accountant. He has 34 years of experience in the accounting profession, of which the last 30 years were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment and almost all aspects of the accounting profession.

Mr. Foo San Kan's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. Symphony House Berhad;
4. OSK Ventures International Berhad;
5. OSK Trustees Berhad;
6. OSK Investment Bank Berhad;
7. SEG International Berhad;
8. OSK Holdings Berhad; and
9. STAR Publications (Malaysia) Berhad.

Mr. Foo does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has had no convictions for offences within the past 10 years other than traffic offences.

He attended all of the 8 Board Meetings held during the financial year ended 31 December 2010.

Board of Directors / Chief Executive Officer and their Profiles as at 6 May 2011

MR. CRAIG ANTHONY ELLIS
Non-Independent
Non-Executive Director

Mr. Craig Anthony Ellis, aged 52, Australian, was appointed to the Board of the Company on 25 September 2001. He is the Chairman of the Investment Committee and a member of the Risk Management Committee, Remuneration Committee and Nominating Committee of the Company.

He obtained his Bachelor of Commerce degree in 1979 from the University of New South Wales, Australia. He is also a member of the Institute of Chartered Accountants of Australia.

He has more than 30 years of experience in the financial services industry in Australia, Europe and Asia. He joined Allianz SE Group in 1998 as the Manager Group Planning and Controlling in Germany and in 2000 as the Regional Chief Financial Officer of Allianz SE in Asia.

He is currently responsible for Special Projects in Allianz SE Insurance Management Asia Pacific. Prior to his current position, he held the position of Regional General Manager, Life & Health of Allianz SE Insurance Management Asia Pacific and prior to his employment with Allianz SE Group, he was the General Manager of Manufacturers Mutual Insurance Sydney, Australia.

Mr. Ellis' other directorships in public companies are as follows:-

1. Allianz Life Insurance Malaysia Berhad; and
2. Allianz Taiwan Life Insurance Co. Ltd.

Mr. Ellis does not hold any share in the Company and its subsidiaries and does not have any family relationship with any Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and its subsidiary. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

He attended 6 out of 8 Board Meetings held during the financial year ended 31 December 2010.

Board of Directors / Chief Executive Officer and their Profiles as at 6 May 2011

MR. JENS REISCH
Chief Executive Officer and
Non-Independent Executive Director

Mr. Jens Reisch, aged 45, German, was appointed as the Chief Executive Officer and to the Board of the Company on 4 August 2010. He is a member of the Investment Committee of the Company.

Mr. Reisch entered into insurance apprenticeship training of German Chamber of Commerce in 1985 and obtained the trainer's license to conduct apprenticeship training from the German Chamber of Commerce in 1988.

In 1989, he obtained insurance specialist certification from the German Chamber of Commerce and in 2004, he attended the finance course for non-finance managers from the London Business School.

Mr. Reisch joined Allianz Group Life Insurance in Stuttgart as an apprentice in 1983. He joined PT Asuransi Allianz Utama Indonesia, a general insurance company in Indonesia as a special trainee in 1992 and was appointed as the first Sales and Marketing Director of PT Asuransi Allianz Life Indonesia ("Allianz Life Indonesia"), a life insurance company in Indonesia, since its establishment in 1996, until 1999. He was subsequently appointed as the Branch Manager in Landshut Germany until 2003.

Prior to his appointment as Chief Executive Officer ("CEO") of Allianz Malaysia Berhad and Allianz Life Insurance Malaysia Berhad in August 2010, Mr. Reisch was the CEO of Allianz Life Indonesia since 2003 and the Country Head of Allianz in Indonesia since 2007.

With more than 20 years with Allianz Group, Mr. Reisch has wide-ranging insurance experience from diverse assignments starting from operations and training to sales and marketing covering for the life insurance and general insurance.

Mr. Reisch other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad; and
2. Allianz Life Insurance Malaysia Berhad.

Mr. Reisch does not hold any share in the Company and its subsidiaries. He also does not have any family relationship with any Director and/or major shareholder of the Company, except by virtue of being a nominee Director of Allianz SE on the Boards of the Company and its subsidiaries.
He also does not have any conflict of interest with the Company and has had no convictions for offences within the past 10 years other than traffic offences.

He attended all the 2 Board Meetings held after his appointment as Director of the Company during the financial year ended 31 December 2010.

Encik Zakri Bin Mohd Khir
Non-Independent
Non-Executive Director

Encik Zakri Bin Mohd Khir, aged 47, Malaysian, was appointed to the Board of the Company on 26 April 2010. He is a member of the Nominating Committee and Investment Committee of the Company.

Encik Zakri obtained his Certificate of Insurance from the Institut Teknologi Mara in 1986. He has over 23 years of experience in the insurance industry.

He joined the Company in 2000 as the Head of Industrial Business and subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of Allianz General Insurance Company (Malaysia) Berhad before he assumed his current position as the Chief Executive Officer of Allianz General Insurance Company (Malaysia) Berhad in December 2010. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance (M) Berhad.

Encik Zakri is currently a Director of Bright Mission Berhad, a wholly-owned subsidiary of the Company.

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

(i) Encik Zakri is the nephew of Y. Bhg. Tan Sri Razali Ismail, the Chairman of the Company.
(ii) Encik Zakri is a nominee Director of Allianz SE on the Boards of the Company and its subsidiary.

Save for holding of 100 ordinary shares of RM1.00 each and 200 irredeemable convertible preference shares of RM1.00 each in the Company, Encik Zakri does not have any interest in the shares of the Company and its subsidiaries. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

He attended all the 6 Board Meetings held after his appointment as Director of the Company during the financial year ended 31 December 2010.

Board of Directors / Chief Executive Officer and their Profiles as at 6 May 2011

MR. ONG ENG CHOW
Chief Financial Officer and Non-Independent Executive Director

Mr. Ong Eng Chow, aged 46, Malaysian, was appointed to the Board of the Company on 26 June 2009. He is a member of the Investment Committee of the Company.

Mr. Ong obtained his Bachelor of Commerce degree in 1988 from the University of Canterbury New Zealand. He is also a Chartered Accountant of the Malaysian Institute of Accountants and the New Zealand Institute of Chartered Accountants.

He has more than 21 years of experience in the financial services industry, of which 16 years were in the insurance industry. He joined Allianz Life Insurance Malaysia Berhad on 1 June 1999 as Financial Controller and was redesignated as Chief Financial Officer ("CFO") in 2005. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and Allianz Life Insurance Malaysia Berhad. Prior to his employment with the Group, he was the Financial Controller of EON CMG Life Berhad.

Save for holding of 100 ordinary shares of RM1.00 each and 100 irredeemable convertible preference shares of RM1.00 each in the Company, Mr. Ong does not have any interest in the shares of the Company and its subsidiaries. He does not have any family relationship with any Director and/or major shareholder of the Company except by virtue of being a nominee Director of Allianz SE on the Board of the Company. He also does not have any conflict of interest with the Company and has had no conviction for offences within the past 10 years other than traffic offences.

Mr. Ong attended all of the 8 Board Meetings held during the financial year ended 31 December 2010.

Integrity

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

Chairman's Statement

Y. Bhg. Tan Sri Razali Ismail
Chairman

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of the Company and its subsidiaries ("Group") for the financial year ended 31 December 2010.

Dear Shareholders,

OVERVIEW

The year 2010 saw world economies recovering from the unprecedented global financial crisis which surfaced in 2008 and continued into 2009. Particularly strong growth was recorded in emerging economies with this trend being most pronounced in the Asian region.

The Malaysian economy experienced a strong resumption of growth in 2010 with an expansion of 7.2 percent. Growth was driven mainly by robust domestic demand, with strong expansion in private sector activity. Meanwhile, the public sector continued to support the domestic economy through the implementation of programmes to further enhance the country's infrastructure and the public sector delivery system. *(Source: Bank Negara Malaysia Annual Report 2010)*

The insurance and takaful sectors also registered stronger financial results which have been backed by sustained demand of saving and protection products and the improved performance of the equity market. *(Source: Bank Negara Malaysia Financial Stability and Payment Systems Report 2010)*

The year 2010 has been another exciting year for the Group. The consolidated profit before tax increased by 8 percent from RM176.9 million in 2009 to RM191.6 million in 2010.

The strong financial results are mainly attributed to our diversified distribution network and service capabilities as well as high level of customer focus and innovation. This achievement was possible because of the strong commitment and teamwork among our business partners and employees.

Our resilient business model, which is based on the business model of our parent company, Allianz SE, built on the foundations of sustainability, risk diversification and long-term focus, proved its value during the crisis and enabled profitable growth.

FINANCIAL PERFORMANCE

It is a pleasure to report that for the financial year ended 31 December 2010, the Group's total operating revenue notably rose by 13 percent from RM2.2 billion in 2009 to RM2.5 billion in 2010. The Group's consolidated gross written premium ("GWP") of its general and life insurance operations increased by 14 percent from RM2.0 billion in 2009 to RM2.3 billion in 2010.

The Group's net written premium increased by 18 percent from RM1.6 billion in 2009 to RM1.9 billion in 2010. Total assets grew by 19 percent from RM5.8 billion in 2009 to RM6.8 billion in 2010.

Shareholders' equity increased by 150 percent from the previous year of RM504 million to RM1.3 billion. This is mainly attributed to the completion of the rights issue of Irredeemable Convertible Preference Shares ("ICPS").

REVIEW OF OPERATIONS

General Insurance Operations

The year 2010 has been a remarkable year for the Group's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC"). AGIC surpassed its own expectations to become the first general insurer to have ever crossed the RM1.3 billion in GWP mark in Malaysia.

AGIC reaffirms its position as one of the leading general insurers in the industry with a commendable double digit growth and a market share of 10.1 percent in GWP *(Source: Statistical Bulletin Marker Performance Report January - December 2010)*. The growth was mainly attributed to the strong value proposition of all distributions, with agency and brokers contributing 72 percent of GWP. AGIC has a large network in Malaysia with over 33 branch locations and an agency force of over 5,280 as at 31 December 2010. Other distribution channels such as franchise and bancassurance recorded strong growth of 25 percent, contributing 28 percent of GWP.

The GWP of general insurance operations grew by 10 percent from RM1.2 billion in 2009 to RM1.3 billion in 2010 whilst continued to deliver a strong underwriting profit of RM89.1 million with net combined ratio at 89.8 percent. AGIC sustained its profitable growth by maintaining a diversified and balanced portfolio mix, coupled with a prudent and disciplined underwriting philosophy. AGIC continues to focus on service driven branches as well as to further improve its operational efficiency.

Moving forward, AGIC strives to retain its leading position in the industry by continue building on its brand's strength, distribution reach and a wide product offering aspiring to be the trusted insurer by Malaysians.

Life Insurance Operations

The Group's life insurance subsidiary, Allianz Life Insurance Malaysia Berhad ("ALIM") surpassed its first RM1 billion mark in GWP in year 2010. This is indeed an important milestone for the Group as ALIM is now part of the "billion Ringgit league" of life insurance companies in Malaysia. ALIM maintains to be one of the fastest growing life insurers in Malaysia.

ALIM recorded a significant increase of 19 percent in GWP from RM868.7 million in 2009 to RM1.0 billion in 2010. The growth is supported by a successful increase in investment linked insurance business, where the GWP grew by 75 per cent from RM129 million in 2009 to RM226.2 million in 2010, and a high persistency of the existing business. Another main contributing factor is the growth of new business premium from its agency business which increased by 22.0 percent from RM195.3 million in 2009 to RM238.2 million in 2010. This is mainly attributed to the expansion of its agency distribution network, where the manpower was over 4,800 as at 31 December 2010, and a continuous high productivity.

ALIM focussed on cultivating a highly productive and professional agency force. The agency model is supported by structured training modules emphasising a high activity-based selling philosophy and a high level of professionalism. ALIM's agency productivity continues to be above industry's standards setting a high benchmark for its agency force and developing a platform to nurture highly successful life insurance agents by benchmarking them against international standards. ALIM strives to produce exceptionally professional distributors with complete insurance knowledge, strict ethical conduct and outstanding client services.

The surplus transfer from the life fund to the shareholders' fund increased by 25 percent from RM12.0 million in 2009 to RM15.0 million in 2010. The higher surplus transfer for the year is due to favourable claims experience and lower expense ratio. ALIM focuses on strengthening profitability by enhancing its product portfolio mix. It offers a comprehensive range of life and health insurance and investment-linked products to cater for the various needs of its customers in all their life stages.

Moving forward, ALIM will continue to expand its multi-distribution capabilities, mainly agency, bancassurance and alternative distribution to reach out to Malaysians and will continue to enhance the features of its existing products and services with a strong focus on innovation.

DIVIDEND

The Board of Directors is pleased to recommend a first and final dividend of 3.50 sen per ordinary share less 25 percent tax (2009: 2.00 sen less 25 percent tax) and a preference share dividend of 4.20 sen per ICPS under single tier system totaling RM12.1 million (2009: RM2.3 million).

The payment of the first and final dividend for the ordinary shares is subject to the shareholders' approval at the Annual General Meeting of the Company scheduled to be held on 23 June 2011.

CORPORATE DEVELOPMENT

Corporate Exercise

The shareholders of the Company had at the Extraordinary General Meeting held on 24 June 2010 ("EGM"), approved the implementation of a renounceable rights issue of 192,336,547 ICPS on the basis of 125 ICPS for every 100 ordinary shares of RM1.00 each in the Company ("AMB Share(s)") held as at 5.00 p.m. on 8 July 2010 at an issue price of RM3.18 per ICPS ("Rights Issue") for the purposes of repaying the RM490 million credit facility granted by Allianz SE to the Company ("Credit Facility") in 2007 for the acquisition of the entire equity interest in Commerce Assurance Berhad (now known as Bright Mission Berhad) and to increase the capital base of AGIC and ALIM to enable each of them to meet their respective capital requirements under the Risk-Based Capital ("RBC") Framework for Insurers issued by Bank Negara Malaysia.

In tandem with the Rights Issue, the shareholders of the Company had also at the EGM approved the following proposals:-

(a) Increase in authorised share capital of the Company from RM200,000,000 comprising 200,000,000 AMB Shares to RM1,000,000,000 comprising 600,000,000 AMB Shares and 400,000,000 ICPS by the creation of 400,000,000 AMB Shares and 400,000,000 ICPS; and
(b) Amendments to the Memorandum and Articles of Association of the Company.

The Rights Issue was completed following the listing and quotation of 192,336,547 ICPS on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2010.

Following the completion of the Rights Issue, the total amount outstanding of RM490 million under the Credit Facility was fully repaid by the Company and a total amount of RM116 million had been injected to ALIM and AGIC to increase their respective capital base in order for them to meet their respective capital requirements under the RBC Framework.

We wish to convey our gratitude to our valued shareholders for their support in the successful completion of the Rights Issue.

INTERNAL DEVELOPMENT

Vision, Mission and Values

Customers continue to be the key to our business. The emphasis on our relationship with our customers is core of how we do things as a business and how our business will develop in the future.

The Group launched its new Vision, Mission and Values during the financial year 2010. The Group is confident that the new Vision, Mission and Values will further unite our actions towards our goals, creating a strong and unified corporate culture which inspires us to strive for outstanding performance.

"ONE ALLIANZ"

In order to serve our customers and other stakeholders better, the offices of the general and life insurance operations have been housed together under one roof in Plaza Sentral in early 2011. The co-location of ALIM and AGIC creates a better environment for the Group to foster more joint efforts and synergies, where possible to better benefit our customers, agents and business partners, making Allianz in Malaysia "Malaysia's ONE stop insurance solution choice".

We aim to further drive profitable growth and long lasting customer relationships. The Market Management function was introduced to support the Group's efforts to strengthen the focus on customers and markets. They are also responsible for developing and constantly evolving the local market strategy by aligning clear objectives for customers, sales channels, product offerings, service capabilities and brand strategies.

Our employees play a pivotal role in providing excellent service to our customers. We place great emphasis on developing leadership potential through continuous talent and personal development. With this in mind, the Group has, in the financial year ended 31 December 2010, begun its journey to build the Allianz Malaysia Academy aimed at developing talent and grooming employees to be both professional and technically competent in insurance business. Additionally, the Group also embarks on the Management Associate Programme, a 18-24 month management development programme to prepare fresh, young and vibrant high potentials for the Group.

COMPLIANCE WITH REGULATORY FRAMEWORK

RBC Framework came into effect on 1 January 2009 where all insurance companies licensed under the Insurance Act, 1996 are required to maintain a capital adequacy level that commensurate with their respective risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130 percent and an internal target capital level determined by Bank Negara Malaysia. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The Board is pleased to inform that both AGIC and ALIM have met the RBC Framework requirements.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group is committed to building the community through socially responsible initiatives.

During the financial year 2010, the Group undertook various CSR initiatives, including donations to underprivileged homes and disaster victims, sponsorships to needy recipients, knowledge sharing and environmentally conscious efforts.

The Group renewed its sponsorship with Persatuan Mobiliti Selangor dan Kuala Lumpur (MOBILITI), a non-profit charitable organisation providing door-to-door transport services for the disabled within Klang Valley for the fifth consecutive year.

For the third consecutive year, the Group opted to print its Annual Report on recycled paper and also issued it via CD-ROMs. The Group monitors its carbon footprint in line with Allianz SE's effort to reduce carbon emissions by 20 percent in 2012.

As a nation-building commitment, the Group donated RM40,000 to the National Book Development Foundation. Apart from that, AGIC and ALIM signed a Memorandum of Understanding with Yayasan Kebajikan Negara to provide insurance to 100,000 low income households, a scheme funded by the Government.

In the recent floods in Kangar, Jitra and Alor Setar, AGIC donated RM24,000 to affected staff, agents and policyholders. A total of 28 policyholders whose properties were damaged by the floods also received claims payments.

In response to the Japan earthquake of March 2011, the Group joined the fund-raising efforts of Allianz SE by initiating a nationwide donation drive amongst employees, Directors, agents and business partners. AGIC and ALIM committed to match every Ringgit collected during the donation drive. An impressive total of RM124,166.32 was collected and, after the matching, a final payment of RM372,498.96 will be channeled to the Malaysian Red Crescent Society to be directed to the Japanese Red Cross Society. Allianz SE will match the sum collected from its employees worldwide with a sum up to JPY30 million.

In our effort to take CSR to greater heights, a CSR Department has been set up to formulate strategies that will enable the Group, through its operations and philanthropic efforts, to carry out fruitful and sustainable CSR initiatives that will contribute positively to our society and environment.

AWARDS

The Company was awarded the KPMG Shareholder Value Award 2010 for the financial services sector. This award ranks Malaysian-listed companies on the Bursa Malaysia Securities Berhad based on their value creation to their shareholders. It is designed to promote corporate excellence through enhancing levels of disclosures and setting exemplary industry good practices.

OUTLOOK AND PROSPECTS

The Malaysian economy is projected to grow by 5 to 6 percent in 2011, supported mainly by continued expansion in domestic demand. Private consumption will be the main contributor to domestic demand growth in 2011, with an expansion of 6.9 percent. The strong expansion in consumer spending is attributable to the favourable labour market conditions, higher disposable income, sustained consumer confidence and ready access to financing. *(Source: Bank Negara Malaysia Annual Report 2010)*

The outlook for the insurance industry continues to look positive with market potential for the insurance and takaful industry remaining significant. The Group will continue to improve on sound risk management practices and focus on meeting new demands for insurance solutions.

The Group anticipates the performance in 2011 to be satisfactory.

DIRECTORATE

On behalf of the Board of Directors, we would like to record our utmost appreciation to Mr. Cornelius Alexander Ioannis Ankel, former Chief Executive Officer and Director of the Company who resigned on 4 August 2010 and Mr. Dung Tri Nguyen @ Don Tri Nguyen who resigned on 25 October 2010, for their significant contributions to the Group.

The Board is pleased to welcome the Company's new Chief Executive Officer and Director, Mr. Jens Reisch, who was appointed on 4 August 2010.

ACKNOWLEDGEMENT

Together with the Board, we sincerely thank the Senior Management team and all employees of the Group for their dedication and commitment throughout 2010.

We would also like to record our sincere appreciation to our valued shareholders, customers, agents, brokers, re-insurers, business partners, associates and bankers for their continuous support and confidence in the Group.

We would also extend our sincere gratitude and thanks to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their guidance and support.

Y. BHG. TAN SRI RAZALI ISMAIL
Chairman
6 May 2011

High Performance Culture

We encourage, recognise and reward exceptional performance

Audit Committee Report

COMPOSITION OF AUDIT COMMITTEE ("AC")

Composition of AC	Status of Directorship
Foo San Kan (Chairman)	Independent Non–Executive Director
Tan Sri Razali Ismail (Member)	Independent Non–Executive Director
Dato' Seri Nik Abidin Bin Nik Omar (Member)	Independent Non–Executive Director

TERMS OF REFERENCE

1. Composition

1.1 The AC should consist of a minimum of 3 members appointed from the Board of the Company and shall act as the AC for the Company and its subsidiaries ("Group").

1.2 The members of the AC should be appointed by the Board, after taking into consideration the recommendations of the Nominating Committee. In determining the appropriate size and composition of the AC, the Board should in particular, take into consideration the necessary mix of skills and experience required for the AC to effectively discharge its responsibilities. The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every 3 years to determine whether the AC and members have carried out their duties in accordance with the terms of reference.

1.3 If for any reason the number of AC members at any point in time is reduced to below 3, notification should be provided to the Bank Negara Malaysia within 2 weeks. The notification should be addressed to Pengarah, Jabatan Penyeliaan Insurans dan Takaful ("JPI"). The Board should fill the vacancy/vacancies arising within 3 months.

1.4 Notification should also be provided to JPI where any director ceases to be a member of the AC within 2 weeks of the cessation. Such notifications should include reasons for the cessation.

2. Independence of AC Members

2.1 No AC member should be employed in an executive position in the Company or its related corporations (as defined under section 6 of the Companies Act, 1965), or otherwise have a relationship which in the opinion of the Board will interfere with the exercise of independent judgement in carrying out the functions of the AC. In addition, members of the AC should not be directly responsible for, or part of any committee involved in, the management functions of the Group.

2.2 As best practice, all AC members should be independent. Where this cannot be achieved, the majority of the AC members, including the Chairman, should be independent.

2.3 An independent director should not:-

(a) hold more than 5% equity interest directly or indirectly in the Company or in its related corporations;

(b) be employed in an executive position in the Company or its related corporations at least 2 years prior to his appointment date;

(c) have an immediate family member who is, or has been in the past 2 years, employed by the Company or any of its related corporations as a key senior officer. For this purpose, an 'immediate family member' refers to the spouse, parent, brother, sister, child (including adopted or step child) and the spouse of such brother, sister or child, of the independent director;

(d) be engaged, or have been engaged in the past 2 years, as a professional adviser by the Company or any related corporations of the Company, either personally or through a firm or company in which he is a partner, director or major shareholder; and

(e) be engaged, or have been engaged in the past 2 years, in any for-profit-business transaction (other than transactions relating to the sale of insurance policies) of a value exceeding RM1 million with the Company, whether with other persons or through a firm or company in which he is a partner, director or major shareholder. However, "transactions" as stated above exclude transactions entered into:-

(i) for personal use of the said director; or
(ii) for personal investment of the said director other than for the purpose of carrying on a trade or business,

provided that such transactions are on normal commercial terms.

3. Qualification, Experience, Knowledge and Skills

3.1 Candidates for the AC should have sound judgement, objectivity, an independent attitude, management experience and adequate knowledge of the industry. They should be committed to the task and demonstrate a keen perception of the internal control environment within the Company and an ability to make probing inquiries.

3.2 Collectively, the AC should have a wide range of necessary skills to undertake its duties and responsibilities. Ideally, all AC members should be able to understand the financial reporting process and be financially literate. At least one member of the AC:-

(a) must be a member of the Malaysian Institute of Accountants;

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:-

(i) he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
(ii) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(c) fulfils any of the following requirements or the requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities"):-

(i) a degree/master/doctorate in accounting or finance and at least 3 years' post qualification experience in accounting or finance; or
(ii) at least 7 years' experience being a chief financial officer of a corporation or having the function of being primarily responsible for the management of the financial affairs of a corporation.

3.3 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 Company, 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.

4. Authority

4.1 The AC should have the authority to investigate any matter within its terms of reference and should have unlimited access to all information and documents relevant to its activities, to the internal and external auditors, and to employees and agents of the Group.

4.2 The AC should be kept regularly updated on audit matters and be notified immediately of any fraud and significant irregularities or internal control deficiencies discovered by Management or the internal audit department. Fraud and irregularities discovered by Management should be referred to the internal audit department for investigation.

4.3 The AC should have access to copies of audit reports (including interim financial audits) on a timely basis and should be kept regularly informed of corrective actions arising from internal and external audit findings.

4.4 The AC should have adequate resources to perform its duties and discharge its responsibilities and should be authorised to obtain independent professional advice as considered necessary.

4.5 The AC must be able to convene meeting with the external auditors, the internal auditors or both, excluding the attendance of other directors and the employees of the Group, whenever deemed necessary.

4.6 The Chairman of the AC should engage on a continuous basis with senior management, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

5. Meetings

5.1 The AC should hold regular meetings in order to effectively fulfil its duties.

5.2 In addition, the Chairman of the AC should call a meeting of the AC if requested to do so by any AC member, the Management or the internal or external auditors.

5.3 The quorum of AC meetings should be at least two thirds of the members with independent directors forming the majority.

5.4 While the AC may invite any person to be in attendance to assist it in its deliberations (e.g. relevant officers concerned in the management of the Company, the external auditor and the internal auditor), the AC should ensure that it meets exclusively when necessary.

5.5 The company secretary should act as secretary of the AC and should be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to AC members within a reasonable timeframe prior to each meeting.

5.6 The secretary should also be responsible for keeping the minutes of meetings of the AC, their timely circulation to AC members and other members of the Board, and following up on outstanding matters in relation to the meetings.

5.7 The Chairman of the AC should report to the Board on the deliberations of the AC on a regular basis. In addition, the Chairman should also present a summary of all significant matters (highlighting the risks and implications) and resolutions made by the AC at Board meetings.

6. Duties and responsibilities

The AC's duties and responsibilities in relation to the internal audit and external audit functions should include the following:-

6.1 Internal Audit

6.1.1 Governance

6.1.1.1 The AC should:-

(a) ensure that the internal audit department is distinct and has the appropriate status and the necessary authority within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives;

(b) ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;

(c) review and approve the audit plan, audit charter and budget required under Part B of the Bank Negara Malaysia's Circular JPI/GPI 13: Guidelines on Audit Committees and Internal Audit Departments for Insurance Companies issued on 25 February 1995 ("Guidelines");

(d) ensure that reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, internal audit reports should not be subject to the clearance of the chief executive officer or any executive director; and

(e) ensure that the internal audit function is independent of the activities it audits and that the internal audit function reports directly to the AC.

6.1.1.2 The AC should also review the scope of internal audit procedures, in particular:-

(a) any restrictions placed on access by the internal auditors to any of the Company's records, assets, personnel or processes which are relevant to the conduct of audits;

(b) appropriateness of the risk assessment methodology employed pursuant to Part B of the Guidelines to determine the frequency and scope of audits, having regard to the nature, size and complexity of the Company's operations;

(c) compliance with internal auditing standards; and

(d) coordination between internal and external auditors.

6.1.1.3 AC members should ensure that they are adequately informed of, and understand, the risks and implications of internal audit findings and recommendations. The AC should pay particular attention to internal audit assessments of:-

- compliance with company policies, relevant laws and regulatory requirements;
- effectiveness of internal controls in critical areas of operations (e.g. accounting, underwriting, claims, investment, derivatives and information technology management); and
- Management's responsiveness to, and corrective actions taken in respect of, internal audit findings and recommendations.

6.1.1.4 The AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

6.1.1.5 The AC should note any significant disagreements between the internal auditor and Management irrespective of whether they have been resolved in order to identify any impact that this may have on the audit process or findings.

6.1.2 Resources and staffing

6.1.2.1 The AC should ensure on an on-going basis, the adequacy of the scope, functions, competency and resource of the internal audit department, given the size and complexity of the Company's operations. In this respect, the AC should:-

(a) approve the appointment, remuneration, performance evaluation, removal and redeployment of the Chief Internal Auditor and senior officers of the internal audit function; and

(b) be informed of any resignation of the internal audit staff and reasons therefore, and provide resigning staff with an opportunity to submit reasons for their resignations.

6.1.2.2 The AC should ensure that internal audit staff receives necessary training to perform audit work. In this respect, there should be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

6.2 External Auditor

6.2.1 Appointment of external auditor

6.2.1.1 The AC is responsible for the appointment of the external auditor, having particular regard to the external auditor's objectivity, performance and independence.

6.2.1.2 The AC should:-

(a) review and assess various relationships between the external auditor and the Company or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Company. This may include affiliations resulting from the Company's employment of former employees of the external auditor in senior positions within the Company.

(b) review and assess fees paid to the external auditor, considering:-

- the economic importance of the Company (in terms of total fees paid) to the external auditor;
- fees paid for non-audit services as a proportion of total fees;
- whether an effective, comprehensive and complete audit could reasonably conducted for the audit fees paid.

The fees paid should not impair or appear to impair the external auditor's judgement or independence in respect to the Company; and

(c) investigate reasons for any request made by Management to dismiss the external auditor, or any resignation by the external auditor. The results of the investigation should be disclosed to the full Board together with the AC's recommendations on proposed actions to be taken. The decisions of the Board in relation to the recommendations made by the AC should be documented in the Board minutes, with a copy of the relevant minutes extended to JPI within 2 weeks of the Board's decision.

6.2.2 Provision of non-audit services by the external auditor

6.2.2.1 Any provision of non-audit services by the Company's external auditor should be approved by the AC before the commencement of the service, or whenever there is a significant change in the level of services provided.

6.2.2.2 In considering the provision of non-audit services by the external auditor, the AC should have regard to restrictions on outsourcing to external auditors set out in JPI/GPI 31: Guidelines on Outsourcing for Insurers.

6.2.2.3 The AC's decisions with respect to the provision of non-audit services should be documented in a statement which outlines whether or not it believes the level of provision of non-audit services by the external auditor is compatible with maintaining auditor independence (together with supporting reasons).

6.2.3 Audit plan, findings and recommendations

6.2.3.1 The AC should review with the external auditors, the:-

(a) audit plan prior to the commencement of the annual audit;

(b) financial statements (before the audited financial statements are presented to the Board), including:-

- whether the auditor's report contained any qualifications which must be properly discussed and acted upon to remove the cause of the auditors' concerns;
- significant changes and adjustment in the presentation of financial statements;
- major changes in accounting policies and principles;
- alternative accounting treatments discussed with Management and the ramifications of the alternatives;
- compliance with relevant laws and accounting standards;
- material fluctuations in the statements;
- significant variations in audit scope;
- significant commitments or contingent liabilities; and
- the validity of going concern assumptions.

(c) audit reports, including obligatory reports to the Bank Negara Malaysia on matters covered under Section 82 of the Insurance Act 1996 ("Act");

(d) external auditor's evaluation of the Group's system of internal controls;

(e) any significant disagreements between the external auditor and Management irrespective of whether they have been resolved; and

(f) any other findings, issues or reservations faced by the external auditor arising from interim and financial audits.

6.2.3.2 The AC should review and monitor Management's responsiveness to, and actions taken on, external audit findings and recommendations. In this regard, the AC should ensure that all findings and recommendations are resolved effectively and in a timely manner.

6.2.3.3 In order to allow external auditors to express concerns, problems and reservations arising from financial audits effectively, the AC should meet at least twice a year with the external auditor without the presence of Management.

6.3 Other responsibilities

6.3.1 The AC should also:-

(a) review:-

- the Chairman's statement and preliminary announcements;
- interim financial reports including quarterly results, focusing particularly on:-

  (i) changes in or implementation of major accounting policy changes;
  (ii) significant and unusual events; and
  (iii) compliance with accounting standards and other legal requirements;

- corporate governance disclosure made in the Directors' Report pursuant to the requirement in JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers and be satisfied that any departure from the Framework principles and the circumstances justifying such departure are sufficiently explained;
- all representation letters signed by Management, and be satisfied that the information provided is complete and appropriate;

(b) review internal control issues identified by auditors and regulatory authorities on Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") and evaluate the adequacy and effectiveness of the internal controls for its AML/CFT measures. At the minimum, the AC should:-

- ensure the roles and responsibilities of the auditor on AML/CFT are clearly defined and documented;
- ensure that independent audits are conducted to check and test the effectiveness of the policies, procedures and controls for AML/CFT measures;
- ensure the effectiveness of the internal audit function in assessing and evaluating the AML/CFT controls;
- ensure the AML/CFT measures are in compliance with the Anti-Money Laundering and Anti-Terrorism Financing Act 2001, its regulations and the relevant Guidelines; and
- assess whether current AML/CFT measures which have been put in place are in line with the latest developments and changes of the relevant AML/CFT requirements.

(c) submit a written report on the audit findings on AML/CFT to the Board on a regular basis. The report should be used to highlight inadequacies of any AML/CFT measures and control systems within the Company;

(d) review audit findings from internal and external auditors on risk management related issues, Management responses and ensure actions are taken based on the recommendations;

(e) review findings and reports from the Whistleblowing Committee;

(f) review any related-party transactions and conflicts of interest situations that may arise within the Group including any transaction, procedure or conduct that raises questions of management integrity;

(g) ensure that the respective companies within the Group complies with Section 95 of the Act which requires an insurer to publish its accounts within 14 days of the laying of its accounts at its annual general meeting;

(h) ensure that the accounts of the Company and its subsidiaries are prepared in a timely and accurate manner for regulatory, management and general reporting purposes, with regular reviews carried out on the adequacy of provisions made; and

(i) ensure that supervisory issues raised by the Bank Negara Malaysia are resolved in a timely manner.

6.3.2 The AC shall also be responsible for any other functions as may be determined by the Board and reflected in its terms of reference.

7. Reporting to the Bank Negara Malaysia/Bursa Securities

7.1 The AC shall submit to the Bank Negara Malaysia, a summary of material concerns/weaknesses in the internal control environment of the respective companies within the Group noted during the year and the corresponding measures taken to address these weaknesses. This should be submitted together with the annual report on the AC and its activities which is submitted to the Bank Negara Malaysia pursuant to principle 18 of JPI/GPI 25.

7.2 Where an AC is of the view that a matter reported by it to the Board had not been satisfactorily resolved resulting in a breach of Main Market Listing Requirements of Bursa Securities, the AC must promptly report such matter to the Bursa Securities.

AC MEETINGS

The AC meets at least 5 times a year to coincide with the review of the quarterly and annual financial statements prior to its presentation to the Board for approval. Special AC Meeting may be convened as and when required.

There were 5 AC Meetings held during the financial year ended 31 December 2010. The detailed attendance of the AC members during the financial year ended 31 December 2010 are as follows:-

Name of AC Members	Number of AC Meetings		Percentage of Attendance
	Held	Attended	
Foo San Kan	5	5	100
Tan Sri Razali Ismail	5	5	100
Dato' Seri Nik Abidin Bin Nik Omar	5	5	100

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2010, the following activities were carried out by the AC:-

1. Reviewed the unaudited consolidated quarterly reports of the Group and the respective unaudited quarterly reports of the subsidiaries for the financial quarters ended 31 December 2009, 31 March 2010, 30 June 2010 and 30 September 2010 and recommended the unaudited consolidated quarterly report of the Group for the Board's approval.

2. Reviewed and recommended for the Board's approval, the announcement in relation to outstanding related party receivables prepared pursuant to the directives issued by Bursa Securities to the Company on 18 May 2010.

3. Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the proposed enhancement to the accounting treatment for low risks assets of the Company's Life Participating Fund.

4. Reviewed and recommended for the approvals of the Boards of the insurance subsidiaries and the Company, the additional audit fees for the financial year ended 31 December 2009 and the audit fees for the financial year ended 31 December 2010.

5. Prepared and submitted to Bank Negara Malaysia, the annual AC Report in respect of the internal control environment of the insurance subsidiaries for the financial year ended 31 December 2009.

6. Reviewed the annual audit results of the Group and the Management Letter issued by the external auditors in respect of the annual audit of the general insurance subsidiary for the financial year ended 31 December 2009 and recommended for the approval of the Board concerned, the Management's responses in respect thereto.

7. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the respective audited financial statements and Directors' Reports thereon for the financial year ended 31 December 2009.

8. Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the audited financial statements and performance reports to fundholders for investment-linked funds for the financial year ended 31 December 2009.

9. Reviewed and recommended for the approvals of the Boards of the insurance subsidiaries, the respective Audited Reporting Forms and Actuarial Report in relation to Risk-Based Capital Framework for the financial year ended 31 December 2009.

10. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the respective management representation letters to the external auditors in respect of the annual audits for the financial year ended 31 December 2009.

11. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the respective re-appointment of the external auditors for the financial year ended 31 December 2010 and the re-appointment of the external auditors to review the Statement on Internal Control of the Group for the financial year ended 31 December 2010.

12. Reviewed the audit plan of the external auditors for the Group for the financial year ended 31 December 2010.

13. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the respective engagement letters for KPMG's re-appointment as auditors for the financial year ended 31 December 2010 and the engagement letter for KPMG to review the Statement on Internal Control of the Group for the financial year ended 31 December 2010.

14. Reviewed the Statement on Internal Control for the financial year ended 31 December 2009 and the report from the external auditors in respect thereto and recommended the Statement on Internal Control for the Board's approval.

15. Reviewed and recommended for the approval of the Board, the Chairman's Statement, AC Report and the Statement on Corporate Governance for inclusion in the 2009 Annual Report of the Company.

16. Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the change of audit engagement partner for the life insurance subsidiary.

17. Reviewed and recommended for the approval of the Boards of the insurance subsidiaries, the Impairment Policy of Receivables for the insurance subsidiaries.

18. Held two private discussions with the External Auditors.

19. Reviewed the various Internal Audit Reports and follow-up audit reports of the insurance subsidiaries.

20. Discussed the progress reports on various outstanding internal audit findings of the insurance subsidiaries.

21. Reviewed the investigation reports of the insurance subsidiaries.

22. Reviewed the progress reports of the Internal Audit Plan 2010 and approved the respective 5-years (2011 – 2015) Internal Audit Plans for the insurance subsidiaries.

23. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the adoption of the Allianz SE Group Audit Policy (version 3).

24. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the revised Internal Audit Charter.

25. Noted and discussed the Guidelines on the Internal Audit Function of Licensed Institutions and on Financial Reporting for Insurers issued by Bank Negara Malaysia.

26. Reviewed the result of the Self Assessment Review of the Internal Audit Department in 2010.

27. Held two private discussions with the Chief Internal Auditor, which include, among others, the evaluation of the performance of the Chief Internal Auditor and the reviewing of the resources, staffing and succession planning of the Internal Audit Department.

28. Discussed the results of supervisory review conducted by Bank Negara Malaysia on the insurance subsidiaries in 2009.

29. Reviewed the activities updates of the Whistleblowing Committees of the subsidiaries/Company.

30. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the new related party transactions to be entered into by the subsidiaries and the Company.

31. Reviewed and recommended for the approvals of the Boards of the subsidiaries and the Company, the new/existing recurrent related party transactions to be included in the 2009 Shareholders' Mandate for recurrent related party transactions.

32. Reviewed and recommended for the Board's approval, the announcement in relation to the deviation between the actual amount transacted and the estimated amount disclosed in the Circular to Shareholders in relation to a recurrent related party transaction entered into by the life insurance subsidiary.

33. Reviewed the review procedures for recurrent related party transactions.

34. Reviewed the compliance status report of the life insurance subsidiary on Guidelines issued by Life Insurance Association of Malaysia.

35. Discussed the updates on the reported fraud cases and new fraud cases discovered by the insurance subsidiaries and reviewed the mitigating measures undertaken by the Management of the insurance subsidiaries.

36. Reviewed the results of the Fraud Risk Assessment of the life insurance subsidiary.

INTERNAL AUDIT FUNCTION

The primary objective of the Internal Audit Department is to assist the Management, AC and the Boards of the Group in the effective discharge of their responsibilities. This is done 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 controls or management controls in the form of policies and standard operating procedures are adequate and effective, in line with the Group's goals. It includes promoting and recommending cost effective controls for safeguarding of assets of the Group and minimising the opportunities for error and fraud.

During the financial year ended 31 December 2010, the Internal Audit Department carried out its duties in accordance with its Audit Charter. All internal audit reports which had incorporated the Management's responses and action plans were tabled for discussion at the AC Meetings.

The Internal Audit Department also established a follow-up audit review to monitor and ensure that audit recommendations have been effectively implemented. The progress reports on remedial measures taken by the Management of the respective companies on audit observations are tabled at the AC Meetings for the AC's review.

The total cost incurred for the internal audit function of the Group for the financial year 2010 amounted to RM2.12 million.

Open Communication

We practise and promote clear, open and transparent communication

Statement on Corporate Governance

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout the Company and its subsidiaries ("Group") as a fundamental obligation of discharging their duties and responsibilities to protect the interests of the Group's shareholders and all other stakeholders.

The Company's holding company, Allianz SE, considers responsible corporate governance to be a key challenge and essential condition for the creation of sustainable value for its shareholders and all other stakeholders. The Board of Directors adopted the best practices of Allianz SE, where applicable, to further enhance the Group's corporate governance framework.

The Group has complied with all the prescriptive requirements of, and adopts management practices that are consistent with the best practices prescribed under the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Prudential Framework of Corporate Governance for Insurers issued by Bank Negara Malaysia ("BNM") as well as the Malaysian Code on Corporate Governance ("Code").

The Board is pleased to set out below the manner by which the Group has applied the principles of good governance and the extent to which it has complied with the best practices described above:-

1. BOARD OF DIRECTORS

The Board has the overall responsibilities for reviewing and adopting strategic plans for the Group, overseeing the conduct of business of the Group, implementing an appropriate system of risk management and ensuring the adequacy and the integrity of the Group's internal control systems.

1.1 Board Balance

The Board comprises 5 Non-Executive Directors and 2 Executive Directors. There are 3 Independent Non-Executive Directors on the Board.

Membership of the Board is drawn from various fields with a balance of skills and experiences appropriate to the business of the Company.

The Board is chaired by an Independent Non-Executive Director who does not represent the interest of the controlling shareholder. The Chairman and the Non-Executive Directors do not engage in the day-to-day management of the Company and there is no duplication of roles between the Chairman and the Chief Executive Officer of the Company.

The Independent Directors complied with the requirements of Independent Director prescribed by BNM and Bursa Securities. By virtue of their roles and responsibilities as prescribed by BNM and Bursa Securities, they are in effect, representing the interest of the minority shareholders of the Company.

All Directors have complied with the requirements on restriction of directorships imposed by Bursa Securities and BNM . All Directors also fulfilled the minimum criteria of "A Fit and Proper Person" prescribed under the Insurance Act 1996 and the Insurance Regulations 1996.

The profiles of the Board of Directors are presented on pages 16 to 29 of this Annual Report.

1.2 Board Meeting and Supply of Information

Board Meetings for each year are scheduled in advance prior to the end of the year and circulated to Directors and Senior Management before the beginning of each year. The Board meets regularly at least 5 times in a year. Additional Board Meetings are held as and when required.

A total of 8 Board Meetings were held during the financial year ended 31 December 2010 and the attendance of each Director is as follows:-

Directors	Designation	No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Razali Ismail	Chairman Independent Non-Executive Director	8	8
Dato' Seri Nik Abidin Bin Nik Omar	Independent Non-Executive Director	8	8
Foo San Kan	Independent Non-Executive Director	8	8
Craig Anthony Ellis	Non-Independent Non-Executive Director	8	6
Jens Reisch	Chief Executive Officer/ Non-Independent Executive Director	8	2 out of 2 meetings held after his appointment as member of the Board on 4 August 2010
Zakri Bin Mohd Khir	Non-Independent Non-Executive Director	8	6 out of 6 meetings held after his appointment as member of the Board on 26 April 2010
Ong Eng Chow	Chief Financial Officer/ Non-Independent Executive Director	8	8

All Directors are given sufficient time to review the meeting papers prior to Board Meetings.

The Board Meetings are conducted in accordance with the agenda approved by the Chairman. Meeting papers are circulated to the Board in advance of each Board Meeting to accord sufficient time for the Directors to review and consider issues to be discussed at the Board Meetings. Urgent matters may be tabled for the Board's deliberation under a supplemental agenda. A Director who has a direct or deemed interest in the subject matter presented at the Board Meeting shall abstain from deliberation and voting on the said subject matter.

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

In between Board Meetings, the Board is also being informed or updated, on important issues and/or major development of matters discussed in the Board Meetings, by the Management and/or the Company Secretary.

All Directors have direct access to the advice and services of the Company Secretary and may seek independent advice should the need arise.

1.3 Appointment to the Board

The appointments of all Directors were approved by BNM. All appointments of Board members are subject to the evaluation by the Nominating Committee and approved by the Board before the applications are submitted to BNM for approval.

The Company has put in place a performance evaluation process and procedures for assessing the Directors and the effectiveness of the Board. The Nominating Committee reviewed the evaluation results of the Directors and the Board and reported its observation to the Board.

An annual review on the composition mix of the Board will also be carried out by the Nominating Committee and the result of the annual review will be reported to the Board.

1.4 Directors' Training

All Directors have attended the Mandatory Accreditation Programme as prescribed under the MMLR of Bursa Securities.

The Nominating Committee oversees the training needs of the Directors. All new Non-Executive Directors are required to attend the orientation programme for newly appointed Directors to familiarise them with the insurance industry and the Group.

In order to keep the Directors abreast with the current developments as well as new statutory and regulatory requirements, the Board has approved the following areas of training for the Directors:-

- Laws and regulations imposed by the relevant authorities and any updates in respect thereto
- Risk Management and compliance controls
- Finance, accounting and insurance related requirements
- Corporate Governance

The training programmes/seminars/conferences attended by the Directors during the financial year ended 31 December 2010 are as follows:-

Directors	Programmes/Seminars/Conferences Attended	Organiser /Speaker
Tan Sri Razali Ismail	Microinsurance, a Mass Market Opportunity	Jens Reisch
	Financial Industry Conference 2010	BNM
	Derivative Investment	Chief Investment Officer of the Company
Dato' Seri Nik Abidin Bin Nik Omar	Financial Institutions Director Education ("FIDE") Programme – Module 1 to 4 (Group 13)	ICLIF Leadership and Governance Centre
	Microinsurance, a Mass Market Opportunity	Jens Reisch
	Derivative Investment	Chief Investment Officer of the Company
Foo San Kan	Briefing on Government Service Tax	BDO Binder
	Leadership and The Choice – The Choice that Changes Everything	SEGi University College
	Risk Management of Derivatives: What Directors and Senior Management Should Know by Prof. Robert M. Conroy from University of Virginia	FIDE

Directors	Programmes/Seminars/Conferences Attended	Organiser /Speaker
	Building Organisational Capability for Strategic Tranformation by Prof. Dave Ulrich from University of Michigan	FIDE
	Banking Insights by Prof. Nabil N. El-Hage from Harvard Business School	FIDE
	Audit Committee Institute Roundtable Discussion: Going Forward: Risk & Reform – Implications for Audit Committee Oversight	KPMG
	Islamic Institution and Governance by Prof Abbas	FIDE
	Microinsurance, a Mass Market Opportunity	Jens Reisch
	Board Risk Management Committee for Insurance Companies	FIDE
	Derivative Investment	Chief Investment Officer of the Company
Craig Anthony Ellis	Microinsurance, a Mass Market Opportunity	Jens Reisch
Jens Reisch	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursa Securities
	Financial Industry Conference 2010	BNM
	Derivative Investment	Chief Investment Officer of the Company
Zakri Bin Mohd Khir	Mandatory Accreditation Programme for Directors of Public Listed Companies	Bursa Securities
	Microinsurance, a Mass Market Opportunity	Jens Reisch
	Financial Industry Conference 2010	BNM
	Derivative Investment	Chief Investment Officer of the Company
Ong Eng Chow	Microinsurance, a Mass Market Opportunity	Jens Reisch
	Financial Industry Conference 2010	BNM
	Derivative Investment	Chief Investment Officer of the Company

1.5 Re-election and Re-appointment of Directors

In accordance with the Articles of Association of the Company, one third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall be retired at the next following Annual General Meeting. The Articles of Association further provide that all Directors shall retire from office at least once in every 3 years in compliance with the MMLR of Bursa Securities.

In addition, any Director who attains the age of 70 is required to submit himself for re-appointment annually pursuant to the Companies Act, 1965.

The Nominating Committee will review and assess the proposed re-election/re-appointment of Directors and submit its recommendation to the Board for consideration prior to the proposed re-election/re-appointment being presented to shareholders' for approval.

1.6 Board Committees

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

The Board Committees set up to assist the Board on specific areas of responsibilities are set out below. With effect from 1 January 2008, the Company's subsidiaries have formally used the services of these Committees of the Company.

1.6.1 Audit Committee

The memberships and terms of reference of the Audit Committee are determined in accordance with the BNM's guidelines, MMLR of Bursa Securities and the Code. The composition and the terms of reference of the Audit Committee are detailed in the Audit Committee Report on pages 40 to 49 of this Annual Report.

1.6.2 Risk Management Committee

The members of the Risk Management Committee are as follows:-

Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director

There were 4 Risk Management Committee Meetings held during the financial year ended 31 December 2010. The attendance of each member of the Risk Management Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	4	4
Foo San Kan	4	4
Craig Anthony Ellis	4	4

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

(a) to address strategic and corporate level risks and recommend to the respective Boards of the Group the strategies to manage these risks and ensure its implementation;

(b) to review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;

(c) to review and recommend risk management strategies, policies and risk parameters/tolerance levels for the approval of the respective Boards of the Group and to ensure any changes and concerns are communicated to senior management effectively;

(d) to ensure the risk control functions have adequate resources, authority, infrastructure, systems and independence to enable an effective risk management;

(e) to review the Key Risks Profile and risks raised by business units and monitor the progress of action plans implemented;

(f) to review and recommend for the approval of the respective Boards of the Group, the contingency planning, including its effectiveness testing covering policies, processes and resources in place to address potential crises, unusual circumstances and stress situations;

(g) to review periodic reports on risk exposure, risk portfolio composition and risk management activities;

(h) to report to the respective Boards of the Group, the risk management status on a regular basis; and

(i) to approve the risk methodology to facilitate risk assessment.

1.6.3 Nominating Committee

The members of the Nominating Committee are as follows:-

Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Tan Sri Razali Ismail (Member)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director
Zakri Bin Mohd Khir (Member)	Non-Independent Non-Executive Director

There were 4 Nominating Committee Meetings held during the financial year ended 31 December 2010. The attendance of each member of the Nominating Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	4	4
Tan Sri Razali Ismail	4	4
Foo San Kan	4	4
Craig Anthony Ellis	4	3
Zakri Bin Mohd Khir	4	1 out of 1 meeting held after his appointment as member of the Committee on 25 October 2010

The primary objective of the Nominating Committee is to establish a documented formal and transparent procedure for the appointment of Directors, Chief Executive Officer, Key Senior Officers of the Group and to assess the effectiveness of individual Director and the Board, Chief Executive Officer and Key Senior Officers of the Group on an on-going basis.

The responsibilities of the Nominating Committee are stated below and shall be applicable to the Group:-

(a) establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and skills, the balance between Executive Directors, Non-Executive and Independent Directors, and the mix of skills and other core competencies required, through annual reviews;

(b) recommending and assessing the nominees for directorship, the Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and the Chief Executive Officer proposed for reappointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation on candidates for directorship should consider the candidates':-

    (i) skill, knowledge, expertise and experience;
    (ii) professionalism;
    (iii) integrity; and
    (iv) in the case of candidate for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidates' ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors;

(c) establishing a mechanism for formal assessment and assessing the effectiveness of the Board as a whole, the contribution by each Director including the Independent Non-Executive Directors to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officer. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented;

(d) recommending to the Board on removal of a Director/Chief Executive Officer if he is ineffective, errant or negligent in discharging his responsibilities;

(e) ensuring that all Directors undergo appropriate induction programmes and receive continuous training; and

(f) overseeing the appointment, management succession planning and performance evaluation of Key Senior Officers, and recommending to the Board the removal of Key Senior Officers if they are ineffective, errant or negligent in discharging their responsibilities.

From the annual review carried out by the Nominating Committee, the Nominating Committee was of the opinion that the Board has a good mix of skills and experiences appropriate for the business of the Company.

1.6.4 Remuneration Committee

The composition of the Remuneration Committee is as follows:-

Members	Designation
Dato' Seri Nik Abidin Bin Nik Omar (Chairman)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Craig Anthony Ellis (Member)	Non-Independent Non-Executive Director

There were 4 Remuneration Committee Meetings held during the financial year ended 31 December 2010. The attendance of each member of the Remuneration Committee is as follows:

Members	No. of Meetings Held	No. of Meetings Attended
Dato' Seri Nik Abidin Bin Nik Omar	4	4
Foo San Kan	4	2 out of 2 meetings held after his appointment as member of the Remuneration Committee on 25 October 2010
Craig Anthony Ellis	4	4

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officer and Key Senior Officers of the Group and ensuring that their compensation is competitive and consistent with the culture, objective and strategy of the Group.

The responsibilities of the Remuneration Committee are stated below and shall be applicable to the Group:-

(a) recommending a framework of remuneration for Directors, Chief Executive Officer and Key Senior Officers. The remuneration policy should:-

- (i) be documented and approved by the full Board and any changes thereto should be subject to the endorsement of the full Board;
- (ii) reflect the experience and level of responsibility borne by individual Directors, the Chief Executive Officer and Key Senior Officers;
- (iii) be sufficient to attract and retain Directors, Chief Executive Officer and Key Senior Officers of calibre needed to manage the Company successfully; and
- (iv) be balanced against the need to ensure that the funds of the insurer are not used to subsidise excessive remuneration packages;

(b) recommending specific remuneration packages for Directors, Chief Executive Officer and Key Senior Officers. The remuneration packages should:-

- (i) be based on an objective consideration and approved by the full Board;
- (ii) take due consideration of the assessments of the Nominating Committee of the effectiveness and contribution of the Directors, Chief Executive Officer or Key Senior Officers concerned;
- (iii) not be decided by the exercise of sole discretion of any one individual or restricted group of individuals; and
- (iv) be competitive and is consistent with the culture, objective and strategy of the Group.

1.6.5 Investment Committee

The composition of the Investment Committee is as follows:-

Members	Designation
Craig Anthony Ellis (Chairman)	Non-Independent Non-Executive Director
Jens Reisch (Member)	Non-Independent Executive Director
Zakri Bin Mohd Khir (Member)	Non-Independent Non-Executive Director
Ong Eng Chow (Member)	Non-Independent Executive Director

There were 4 Investment Committee Meetings held during the financial year ended 31 December 2010. The attendance of each member of the Investment Committee is as follows:-

Members	No. of Meetings Held	No. of Meetings Attended
Craig Anthony Ellis	4	4
Jens Reisch	4	2 out of 2 meetings held after his appointment as member of the Investment Committee on 4 August 2010
Zakri Bin Mohd Khir	4	1 out of 1 meeting held after his appointment as member of the Investment Committee on 25 October 2010
Ong Eng Chow	4	4

The Investment Committee is responsible for setting of investment policies, objectives, guidelines and controls for the Investment Department which in turn is responsible for managing the investment functions of the Group.

2. DIRECTORS' REMUNERATION

2.1 The Level and Make-up of Remuneration

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

(a) overall performance of the Group;
(b) level of responsibility; and
(c) attendance at meetings.

Individual Directors shall abstain from discussion of their own remuneration.

2.2 Procedure

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

2.3 Disclosure

The Non-Executive Directors who are not representing the interest of the major shareholder are paid an annual fee and meeting allowance of RM800 per meeting for the financial year 31 December 2010. The Executive Directors received only the remuneration paid to them for their respective designated position held in the Company.

The existing Directors' remuneration (including benefits-in-kind) for the financial year ended 31 December 2010 are detailed below:-

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

Categories of Remuneration	Executive Director RM'000	Non-Executive Director RM'000
Salary and other	130.8	-
Fees and allowance	-	421.6
Benefits (including estimated monetary value of benefits-in-kind)	9.7	53.7
Contribution to Provident Fund	20.8	17.3
Total	**161.3**	**492.6**

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

Band	No. of Executive Director	No. of Non-Executive Director
RM0 - RM50,000	1	2
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	1	-
RM150,001 - RM200,000	-	-
RM200,001 - RM250,000	-	-
RM250,001 - RM300,000	-	-
RM300,001 - RM350,000	-	1

3. SHAREHOLDERS AND INVESTORS RELATIONSHIP

3.1 Dialogue with Shareholders/Investors

The Board acknowledges the need for shareholders to be informed of all material information affecting the Group. As such, information in respect of the Group's performance, corporate exercises and matters affecting shareholders' interests are disseminated to shareholders and investing public through annual reports, quarterly reports, shareholder circulars and specific announcements released to the Bursa Securities on a timely manner, in accordance with the provisions of the MMLR of Bursa Securities.

In addition to the above, the Group also issues press releases and conducts media/analysts/investors briefings to provide the stakeholders of the Group with the up-to-date information in respect of the Group's business and/or corporate initiatives.

Shareholders of the Company are able to obtain up-to-date information on the Group's various activities including announcements released to Bursa Securities and presentations made by the Group during the analyst briefings, by accessing to the Group's website at www.allianz.com.my.

The Corporate Communications Department of the Company addresses inquiries from shareholders, investors and the public on all corporate matters relating to the Company.

The personnel to be contacted in relation to investor relations matters is as follows:-

Ms. Joannica Dass	Tel: 03-22640780
Group Head of Corporate Communications	E-mail: joannica.dass@allianz.com.my

3.2 Annual General Meeting

The Annual General Meeting is the forum to communicate with the shareholders of the Company. Shareholders are encouraged to raise questions or seek clarification pertaining to the operations and the financial status of the Group. Members of the Board, the Management and the Auditors are present at the Annual General Meeting to respond to various questions raised by the shareholders.

4. ACCOUNTABILITY AND AUDIT

4.1 Financial Reporting

In presenting the annual financial statements, quarterly reports and the annual report to the shareholders of the Company, the Board takes appropriate steps to present a clear and balanced assessment of the Group's position and prospects. This also applies to other price-sensitive public announcements and reports to regulators.

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

4.2 Relationship with Auditors

Through the Audit Committee, the Board has established a formal and appropriate relationship with the external auditors. At least two private discussions will be held on a yearly basis between the Audit Committee and the external auditors without the presence of the Management, to exchange views and opinions.

Details of the role of the Audit Committee in relation to the external auditors are described in the Audit Committee Report set out on pages 40 to 49 of this Annual Report.

The appointment and re-appointment of the external auditors will be reviewed by the Audit Committee and the recommendation from the Audit Committee will be presented to the Board for consideration prior to the said proposal being presented to the shareholders for approval. The terms of engagement of the external auditors for services rendered and their audit and non-audit fees are reviewed by the Audit Committee and approved by the Board.

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS

The Board, in preparing the financial statements, has adopted appropriate accounting policies, consistently applied and supported by reasonable and prudent judgment and estimates. All applicable accounting standards have been followed and the financial statements have been prepared on a going concern basis.

The Board is responsible for ensuring that the Company maintains accounting records that disclose reasonable accuracy of the financial position of the Group and the Company.

The Board has overall responsibilities for taking such steps, as are reasonably available to them, to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 in respect of the preparation of the Company's financial statements for the financial year ended 31 December 2010 is set out on page 95 of this Annual Report.

STATEMENT ON INTERNAL CONTROL

Board Responsibility

The Board recognises the importance of sound internal controls that cover risk management, financial, operational and compliance controls. The Board affirms its overall responsibilities for the Group's internal control and risk management system ("System"). Such a system, designed to safeguard shareholders' investments and the Group's assets, however, can only mitigate rather than eliminate the risk of failure to achieve the business objectives of the Group. The System, by its nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

Risk Management Framework

The Board recognises the importance of having in place a risk management system to identify principal 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 Company's employees to risk identification, measurement, control, ongoing monitoring and reporting.

Other Internal Control Processes

The Group's key internal control processes include the following:-

- Defined delegation of responsibilities to Committees of the Board and the Management of OEs, including authorisation levels for all aspects of the businesses of the Group to ensure proper identification of accountabilities and segregation of duties.

- The internal policies and procedures of the insurance OEs, which incorporate the relevant requirements of Bank Negara Malaysia, Persatuan Insurans Am Malaysia/Persatuan Insurans Hayat Malaysia, Insurance Act 1996 and Insurance Regulations 1996 as well as internal guidelines, are documented in procedural workflow of departments and branch operations. These workflows are subject to review and improvement to reflect changing risks and process enhancement as and when required.

- Operational authority limits covering underwriting of risks, claims settlement, and capital expenditures were reviewed and updated regularly. In addition, the insurance OEs also exercise control over underwriting exposures covering both risks accepted and reinsured. Exposure limits are reviewed annually.

- The reinsurance treaty programs of the insurance OEs ensure that reinsurers have secured ratings from accredited rating agencies. The securities of treaty reinsurers are stringently reviewed on an annual basis.

- The Investment Committee is responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Group has implemented an Investment Manual for all OEs. The Investment Manual sets out the detailed 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 Information Technology ("IT") Steering Committees of the insurance OEs, chaired by the respective Chief Executive Officer of the said OEs, are responsible for establishing effective IT plans, authorising IT related expenditure and monitoring the progress of approved IT projects for the respective insurance OEs.

- The Group has in place a Data Management Framework ("DMF") to establish and maintain a sound data management and management information system (MIS) framework. The objective of the DMF is to manage data and disseminate information throughout the OEs and to maximise the use and value of data assets. Additionally DMF aims to ensure the integrity of data assets by preventing unauthorised or inappropriate use of data and information.

- Yearly business plan and budget of the respective OEs are submitted to the respective Boards for approval. Financial reports are also submitted to the respective Boards for review at their meetings as part of the monitoring of the respective OEs' performance. These reports cover all key operation areas and provide a sound basis for the respective Boards to assess the financial performance of the respective OEs and to identify potential problems or risks face by the respective OEs. Results of stress tests of the insurance OEs are also presented to the respective Boards on a regular basis for deliberation.

- The Group has in place a documented organisational structure, allocation of duties and responsibilities and an ongoing process to ensure the allocated key functionaries fulfil the minimum criteria of "A Fit and Proper Person" prescribed in Part XII of the Insurance Regulations 1996.

- The Group has formalised the Code of Conduct for Business Ethics and Compliance and the Sales Policy and Sales Agent Code of Conduct for the insurance OEs that respectively represent the minimum standards for all employees and agents to reiterate the importance of integrity in conducting the business.

- Business Continuity Plans for all OEs have been formulated to ascertain that the Group suffers no material interruptions to its systems, processes or operations, or material damages to its assets upon the occurrence of any disastrous events.

- Training and development programs are conducted to enhance staff competencies and maintain a risk control conscious culture.

- The Internal Audit function undertakes reviews of the Group's operations and its system of internal controls. It provides continuous monitoring of the controls and risk management procedures. Internal audit findings are discussed at management level and actions are taken in response to the internal audit recommendations. The Audit Committee reviews all internal audit findings and management responses.

- The Whistleblowing Committees have been established for the respective OEs to further enhance corporate governance and to meet the expectations of the Code of Conduct for Business Ethics and Compliance of the Group. Guidelines and procedures of the Whistleblowing Committees have been in place to handle, review, assess and take appropriate actions to the complaints or concerns raised by the employees relating to any illegal or questionable activities in the Group. Such complaints or concerns may be made anonymously. The whistleblowing procedure will help to promote transparency and accountability throughout the Group.

- The Ethics and Compliance Committees for the insurance OEs have been set up to meet the expectations of the Sales Policy and the Sales Agent Code and Conduct of the insurance OEs. Guidelines and procedures of the Ethics and Compliance Committees are in place to handle, review, assess and take appropriate actions to address complaints or concerns on agents. This will help to promote the professionalism of the sales force throughout the insurance OEs.

- The Anti Fraud Committees have been set up in 2009 by the respective OEs to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy, framework and procedures have been in place to assist the Anti-Fraud Committee. The Anti-Fraud Committee is also responsible for all fraud investigations and ensuring that necessary remedial actions are taken to mitigate the recurrence of fraud. In line with the Allianz Group's global Anti-Corruption Program ("Program") the Group adopted the Anti-Corruption Policy in August 2010 ("the said Policy"). The said Policy outlines the Allianz 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 . In addition to the said Policy, the Program contains 10 elements for progressive implementation. The Group has commenced implementing these elements and expects to complete them by end 2011.

- The insurance OEs have each in place a Product Development Management Framework ("Framework") which sets out the policies and procedures on product development. The Framework 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 Framework will also assist to ensure that the products developed and marketed by the insurance OEs are appropriate to the needs and resources of the targeted consumer segments.

Through the Audit Committee, the Board has established a formal and appropriate relationship with the External Auditors. Details of the role of the Audit Committee in relation to the External Auditors are set out in the Audit Committee Report.

This statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 29 April 2011.

Social Responsibility

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

Additional Compliance Information

1. UTILISATION OF PROCEEDS FROM THE RENOUNCEABLE RIGHTS ISSUE OF 192,336,547 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM1.00 EACH ("ICPS") IN ALLIAZ MALAYSIA BERHAD ("RIGHTS ISSUE")

The gross proceeds of RM611,630,219 raised from the Rights Issue has been fully utilised in the following manner:

Purpose	RM'000
To repay credit facilities of RM490 million granted by Allianz SE to the Company in 2007 for the acquisition of the entire equity interest in Commerce Assurance Berhad (now known as Bright Mission Berhad)	490,000
To increase capital base of Allianz General Insurance Company (Malaysia) Berhad and Allianz Life Insurance Malaysia Berhad	116,000
To defray estimated expenses relating to the Proposals *	709
Working capital of the Company	4,921
Total	611,630

* Proposals refer to the following, collectively:-

(i) Rights Issue;

(ii) Increase in the authorised share capital of the Company from RM200,000,000 comprising RM200,000,000 ordinary shares of RM1.00 each to RM1,000,000,000 comprising RM600,000,000 ordinary shares of RM1.00 each and 400,000,000 ICPS by the creation of 400,000,000 ordinary shares of RM1.00 each and 400,000,000 ICPS; and

(iii) Amendments to the Memorandum and Articles of Association of the Company.

2. SHARE BUY-BACKS

During the financial year ended 31 December 2010, there were no share buy-backs by the Company.

3. OPTIONS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2010, the Company has issued 192,336,547 ICPS.

4. DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2010, the Company did not sponsor any depository receipt programme.

5. SANCTIONS AND/OR PENALTIES

Save for the tax penalty of RM98,931 imposed by Inland Revenue Board on the Company for additional tax assessment for year 2004, there were no other sanctions and/or penalties imposed on the Company and/or its subsidiaries, Directors or Management by any regulatory bodies during the financial year ended 31 December 2010.

6. NON-AUDIT FEES

The non-audit fees incurred for services rendered to the Company for the financial year ended 31 December 2010 by the external auditor of the Group, Messrs. KPMG, amounted to RM40,000.

7. VARIATION OF RESULTS

There was no deviation between the audited results for the financial year ended 31 December 2010 and the unaudited results for the financial year ended 31 December 2010 of the Group.

8. PROFIT GUARANTEE

During the financial year ended 31 December 2010, there was no profit guarantee given by the Company.

9. MATERIAL CONTRACTS

Save as disclosed below, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors and major shareholders, which either still subsisting at the end of the financial year ended 31 December 2010 or, had been entered into since the end of the previous financial year ended 31 December 2009.

Undertakings from the Major Shareholder of the Company, Allianz SE, in relation to the Rights Issue of the Company

(a) In consideration of an amount of RM1.00 paid by the Company to Allianz SE, Allianz SE provided an irrevocable undertaking to the Company on 7 April 2010, that:-

(i) Allianz SE shall subscribe all the ICPS that Allianz SE shall be entitled to subscribe (pursuant to the Rights Issue) based on Allianz SE's shareholding in the Company on the entitlement date to be determined by the Company and subsequently notified in writing to Allianz SE. The total consideration for the subscription by Allianz SE of its entitlements shall be set-off against an equivalent amount from the RM490 million credit facility granted by Allianz SE to the Company; and

(ii) Allianz SE shall not convert the ICPS into ordinary shares of the Company if such conversion will result in Allianz SE holding more than its existing shareholding in the Company.

In respect of item (i) above, on 4 August 2010, a sum of RM458,565,120.24 was set-off against the RM490 million credit facility granted by Allianz SE to the Company, following Allianz SE's subscription of its entitlement of 144,202,868 ICPS under the Rights Issue.

(b) In consideration of an amount of RM1.00 paid by the Company to Allianz SE, Allianz SE provided an irrevocable undertaking to the Company on 27 May 2010 ("Additional Undertaking Letter"), that:-

(i) Allianz SE shall subscribe the ICPS that are not subscribed by any entitled shareholder of the Company and/or its renouncee after the closing date for the Rights Issue, at a price of RM3.18 per ICPS ("Excess Subscription"). The total consideration for the Excess Subscription shall be set-off in part or in full against the amount that remains outstanding from the RM490 million credit facility granted by Allianz SE to the Company, and it being agreed that Allianz SE shall make payment in cash for the balance of the Excess Subscription in the event that the Excess Subscription is set off in part; and

(ii) Allianz SE has sufficient financial resources to satisfy the consideration in respect of the Excess Subscription.

As at the closing date for the Rights Issue at 5.00 p.m. on 23 July 2010, the Rights Issue was oversubscribed by 12,376,087 ICPS or approximately 6.4% in excess of the total number of 192,336,547 ICPS available for subscription under the Rights Issue. In view of the oversubscription, Allianz SE did not apply for the Excess Subscription as mentioned in the Additional Undertaking Letter.

The Rights Issue was completed following the listing and quotation of 192,336,547 ICPS on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2010.

10. ANALYSIS OF SHAREHOLDINGS AS AT 21 APRIL 2011

10.1 ORDINARY SHARE OF RM1.00 EACH

Authorised Share Capital	:	RM600,000,000
Issued and Paid-up Share Capital	:	RM153,869,238
Class of Shares	:	Ordinary shares of RM1 each
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	19	0.87	378	0.00
100 to 1,000	1,290	58.77	425,530	0.28
1,001 to 10,000	653	29.75	2,668,581	1.73
10,001 to 100,000	193	8.79	6,627,632	4.31
100,001 to less than 5% of issued shares	39	1.78	28,784,822	18.71
5% and above of issued shares	1	0.04	115,362,295	74.97
Total	2,195	100.00	153,869,238	100.00

SUBSTANTIAL SHAREHOLDER

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	74.97	-	-

DIRECTORS' SHAREHOLDINGS

Name of Directors	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Zakri Bin Mohd Khir	100	^	-	-
Ong Eng Chow	100	^	-	-

^ Negligible

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

	Name of Shareholders	No. of Shares Held	% of Shares
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	115,362,295	74.97
2	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,624,800	3.01
3	Pertubuhan Keselamatan Sosial	3,843,222	2.50
4	Amanahraya Trustees Berhad Public Smallcap Fund	2,676,500	1.74
5	Mayban Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Kumpalan Wang Persaraan (Diperbadankan) (FD 1-280305)	2,200,000	1.43
6	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	1,740,900	1.13
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (PHEIM)	1,546,600	1.01
8	HSBC Nominees (Asing) Sdn Bhd CACEIS Bank Paris for HMG Globetrotter	1,300,300	0.85

Name of Shareholders		No. of Shares Held	% of Shares
9	Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,050,000	0.68
10	Lim Su Tong & Lim Chee Tong	802,000	0.52
11	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Saham Amanah Sabah (ACC2-940410)	769,700	0.50
12	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	589,700	0.38
13	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Hwang 6939-403)	572,900	0.37
14	Amsec Nominees (Tempatan) Sdn Bhd Lim Su Tong & Lim Chee Tong (8335-1101)	500,000	0.32
15	Tanjong Equities Sdn Bhd	483,800	0.31
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad HwangDBS Investment Management Berhad for Malaysian Timber Council	437,400	0.28
17	Insas Plaza Sdn Bhd	416,200	0.27
18	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	415,000	0.27
19	Thong Kok Yoon	400,000	0.26
20	Neoh Choo Ee & Company, Sdn. Berhad	378,000	0.25
21	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Noble Sound Sdn Bhd (PB)	325,000	0.21
22	Chong Mei Ngor	305,000	0.20
23	Thong Kok Khee	304,100	0.20
24	Jaya Kumar a/l Ganason @ Kanajan	300,000	0.19
25	Citigroup Nominees (Asing) Sdn Bhd UBS AG for Swiss-Asia Marco Polo Master Fund Ltd	276,100	0.18
26	Tan Kit Pheng	265,000	0.17
27	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	208,300	0.14
28	Golden Fresh Sdn Bhd	201,000	0.13
29	Mayban Nominees (Tempatan) Sdn Bhd HwangDBS Investment Management Bhd for Benta Wawasan Sdn Bhd (230129)	200,000	0.13
30	Yap Ah Ngah @ Yap Neo Nya	200,000	0.13

10.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM1.00 EACH ("ICPS")

Authorised Share Capital	:	RM400,000,000
Issued and Paid-up Share Capital	:	RM192,336,547
Class of Shares	:	Preference shares of RM1 each
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 case, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and exercise 1 vote for each ICPS held.

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	% of ICPS Holders	No. of ICPS Held	% of ICPS
Less than 100	15	1.43	617	0.00
100 to 1,000	447	42.57	113,847	0.06
1,001 to 10,000	346	32.95	1,323,865	0.69
10,001 to 100,000	180	17.14	6,032,025	3.14
100,001 to less than 5% of issued ICPS	61	5.81	40,663,325	21.14
5% and above of issued ICPS	1	0.10	144,202,868	74.97
Total	**1,050**	**100.00**	**192,336,547**	**100.00**

DIRECTORS' HOLDINGS IN ICPS

Name of Directors	Direct Interest		Indirect Interest	
	No. of ICPS Held	% of ICPS	No. of ICPS Held	% of ICPS
Zakri Bin Mohd Khir	200	^	-	-
Ong Eng Chow	100	^	-	-

^ Negligible

THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS

	Name of ICPS Holders	No. of ICPS Held	% of ICPS
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	144,202,868	74.97
2	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,935,900	3.09
3	Pertubuhan Keselamatan Sosial	4,433,000	2.30
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	3,475,625	1.81
5	Amanahraya Trustees Berhad Public Smallcap Fund	3,434,400	1.79
6	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,123,875	1.62
7	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad for Saham Amanah Sabah (ACC2-940410)	2,706,625	1.41
8	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Opportunity Fund (3969)	1,465,600	0.76
9	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Select Income Fund (4850)	969,375	0.50
10	Ambank (M) Berhad Pledged Securities Account for Ng Leong Huat (Smart)	881,300	0.46

	Name of ICPS Holders	No. of ICPS Held	% of ICPS
11	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Choong Foong Ming (CEB)	742,300	0.39
12	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Hwang 6939-403)	716,125	0.37
13	Sai Yee @ Sia Say Yee	670,000	0.35
14	HSBC Nominees (Asing) Sdn Bhd CACEIS Bank Paris for HMG Globetrotter	642,400	0.33
15	Neoh Choo Ee & Company, Sdn. Berhad	627,500	0.33
16	Tanjong Equities Sdn Bhd	618,600	0.32
17	HSBC Nominees (Asing) Sdn Bhd Exempt an for Credit Suisse (SG BR-TST-ASING)	571,000	0.30
18	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Oh Kim Sun	570,000	0.30
19	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad HwangDBS Investment Management Berhad for Malaysian Timber Council	546,750	0.28
20	Olive Lim Swee Lian	505,000	0.26
21	Au Yong Mun Yue	455,500	0.24
22	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Small Cap Opportunity Unit Trust (3548)	440,000	0.23
23	Chua Saw Yean	345,400	0.18
24	Employees Provident Fund Board	334,625	0.17
25	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for OSK-UOB Growth and Income Focus Trust (4892)	323,375	0.17
26	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for HwangDBS Asia Quantum Fund (4579)	286,250	0.15
27	Amsec Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	285,700	0.15
28	Mayban Nominees (Tempatan) Sdn Bhd HwangDBS Investment Management Bhd for Benta Wawasan Sdn Bhd (230129)	250,000	0.13
29	Dynaquest Sdn. Berhad	232,000	0.12
30	Su Ming Keat	220,000	0.11

11. REVALUATION POLICY

The self-occupied properties of the Group are revalued every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value. The Group is using fair value model for the measurement of its investment properties after recognition.

12. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2010 OWNED BY THE GROUP

Location	Existing Use	Tenure	Land Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur	Head office	Freehold	3,745	Corporate office	9 years	21/09/2007	22,283
Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur	Branch office	Lot PT1-Leasehold Expiring 09/06/2072	525	Office building	27 years	28/05/2006	4,862
		Lot 263-Freehold			29 years	31/05/2006	3,880
Wisma Allianz Life No. 11, 12, 13 and 14, Jalan 53 Desa Jaya Commercial Centre Taman Desa 52100 Kepong, Kuala Lumpur	Branch office	Leasehold Expiring 08/03/2081	637	Terrace shop / office	25 years	20/10/2009	4,057
No. 46, Jalan Tiara 2C Bandar Baru Klang 41150 Klang, Selangor	Branch office	Leasehold Expiring 08/05/2093	551	Terrace shop / office	8 years	20/10/2009	3,535
Lot G-1-1, G-1-2 & G-1-3 No.11, Jalan Tiara 2D/KU1 Bandar Baru Klang 41150 Klang, Selangor	Branch office	Leasehold Expiring 08/05/2093	525	Terrace shop / office	3 years	03/08/2009#	2,441
Unit No. A-G-1, A-1-1, A-2-1 Greentown Square Jalan Dato' Seri Ahmad Said 30450 Ipoh, Perak	Branch office	Leasehold Expiring 08/05/2093	595	Commercial building	5 years	23/10/2009	1,850
No. 7, 9, 11, 13, 15, 17 Jalan Seksyen 3/5 Taman Kajang Utama 43000 Kajang, Selangor	Branch office	Freehold	612	Terrace shop / office	11 years	21/09/2007#	1,709
No.15, Jalan 8/1D Section 8 46050 Petaling Jaya, Selangor	Branch office	Leasehold Expiring 07/08/2066	174	Terrace shop / office	44 years	31/05/2006	1,638
No. 1, Jalan Prima 9 Metro Prima Business Centre, 52100 Kepong, Kuala Lumpur	Branch office	Leasehold Expiring 02/04/2096	239	Terrace shop / office	13 years	21/09/2007	1,537
No. 300 & 301 Jalan Lumpur 05100 Alor Setar, Kedah	Branch office	Freehold	386	Terrace shop / office	7 years	31/05/2006	1,420

The date refers to the date of acquisition.

13. 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 2010 were as follows:-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/(Expenses) RM'000
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	(145,347)
The Group's sharing of cost for usage of eLearning solution of Allianz SE	**Allianz SE	(109)
The Group's sharing of global marketing measures undertaken by Allianz SE	**Allianz SE	(1,052)
Payment of fund management fees by the Company's life insurance subsidiary in relation to its funds managed by Allianz Global Investors Singapore Limited	**Allianz Global Investors Singapore Limited	(162)
The Group's sharing of Allianz Worldwide Intranet Network access with Allianz SE	**Allianz SE Group	(417)
Payment of investment advisory service fees by the Group to Allianz Investment Management Singapore Pte Ltd	**Allianz Investment Management Singapore Pte Ltd	(956)
Payment of annual maintenance and support fee for software system by the Company's life insurance subsidiary to Allianz SE	**Allianz SE	(138)
Payment of risk survey fee by the Company's general insurance subsidiary to Allianz Australia Insurance Ltd	**Allianz Australia Insurance Ltd	(10)
Payment of telemarketing fee by the Company's life insurance subsidiary to Symphony BPO Solutions Sdn Bhd	***Symphony BPO Solutions Sdn Bhd	(1,252)

Note:-

* As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.

** Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.

*** Symphony BPO Solutions Sdn Bhd is a subsidiary of Symphony House Berhad of which Mr Foo San Kan, an Independent Director of the Company, is a Director and shareholder.

Calendar of Moments

March - Allianz streamlines its employees' medical benefit

January - AGIC Agents once again receive early Profit Commission

January - AGIC launches Allianz Protect Platinum

January - AGIC launches Allianz Protect Platinum

January 2010

Allianz and MOBILITI

Allianz Malaysia once again renewed its sponsorship with Persatuan Mobiliti Selangor dan Kuala Lumpur (MOBILITI).

The non-profit charitable organisation provides door-to-door transport for the disabled within the Klang Valley using specially modified vans with hydraulic lifts and a wheelchair restrained system that allow them to travel comfortably.

Allianz Malaysia sponsors the operational costs of three of its vehicles. The costs include fuel, toll, maintenance and motor insurance. The partnership has been established since 2006.

AGIC launches Allianz Protect Platinum

AGIC launched Allianz Protect Platinum on 18 January 2010 together with Allianz Re, Singapore at Kuala Lumpur Hilton Hotel. The specially-tailored product which caters to the leaders of Malaysian corporations, takes into account the risk factor of Directors and Officers in today's fast moving world and offers them protection in the event of a future crisis.

AGIC Agents once again receive early Profit Commission

AGIC handed out RM6.26 million in profit commission to 1,285 qualifying agents ahead of the Lunar New Year. This is the fourth consecutive year of early profit commission payout to the top 25 percent of our agency force.

March 2010

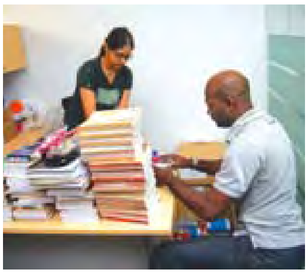
Allianz streamlines its employees' medical benefit

As part of the One Allianz initiatives, Allianz Malaysia extended medical coverage to the families of all levels of employees. Staff also received medical cards that allow cashless medical treatment and consultation.

ALIM introduces Income Generator

ALIM launched the Income Generator plan which not only provides policyholders with protection but also generates a guaranteed income for them. The all-in-one plan with a sphere of exceptional benefits can be purchased by customers from any age between 30-day old to 65 years-old and reap its benefits until the age of 90.


April - Charity from the heart


April - Charity from the heart


April - Charity from the heart


April - Charity from the heart


April - Charity from the heart

April 2010

MARCOM in Malaysia

Allianz's 2010 Regional Marketing Communications (MARCOM) workshop was held in Kuala Lumpur from 29 to 30 March 2010. The annual workshop brought together Heads of Corporate Communications in the Asia Pacific region to exchange ideas, updates and plans for the year.

Charity from the heart

Allianz Malaysia employees and agents in Peninsular and East Malaysia took part in a charity drive that benefitted 16 underprivileged homes across the country. Employees spent the month of March collecting items for the home chosen by their branch or office. The contributions were then packed and distributed to the homes.

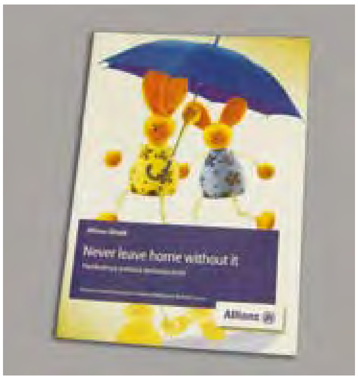
Amongst the 16 homes that benefitted from the charity drive were Stepping Stones in Seputeh, Rumah Perlindungan Al'Nafusa in Gombak, Kuantan Handicapped & Mentally Retarded Children Centre, Persatuan Kebajikan Orang Istimewa Segamat, Pusat Pemulihan Dalam Komuniti Titian Harapan, school for spastic children in Temerloh, Rumah Solehah, shelter for HIV positive children in Selangor and the Kuching Autistic Association.

Representatives from some of the branches also took the opportunity to spend time with the children of the underprivileged centres. Each home received a variety of items that included food, school bags, stationery, sundry products, books, electrical appliances and cash to purchase medical supplements based on the specific needs of the chosen home.

Calendar of Moments


April - 2010 BDM Convention


May - Strategies for 2011



April - Allianz Shield – Offers better benefits

April - 2010 BDM Convention

2010 Business Development Managers' ("BDM") Convention
AGIC held its first ever BDM Convention at Genting Awana from 4 – 6 April 2010. A total of 200 marketing staff from AGIC took part in the two-day, one-night convention. Starting from 2010, the convention will be held annually as an avenue to congregate all agency, franchise and bancassurance marketing and business development staff. Participants were presented with a review of the 2009 performance, an update of the latest developments, and AGIC's goals and focus for 2010. Based on this, participants formulated an action plan for the year.

Allianz Shield – Never leave home without it
AGIC reintroduced an enhanced Personal Accident plan, the Allianz Shield, that offers customers better benefits. Designed to provide comprehensive protection in addition to any existing insurance plan, the plan rewards customers for their loyalty with an increased percentage of renewal bonus.

May 2010

Strategic Dialogue ("SD") for 2011
The 2011 SD Workshop was held at the Hard Rock Hotel in Penang from 3 to 5 May 2010. The annual workshop brought together the senior management team for a dialogue session to set the Group's strategic direction for the coming year.

The SD Workshop is an important meeting for the management to review the strategies for the current year and plan for the year ahead. This workshop also served as a communication platform for all senior management so that all strategies were inter-linked and supported the overall objectives of the Group.

May - ALIM Agency Awards Night 2010

May - Allianz takes part in the University Pathfinder Investment Camp (UPIC)

May - ALIM Agency Awards Night 2010

May - Prof Dr. Michael Heise returns to Kuala Lumpur

May - Allianz takes part in the University Pathfinder Investment Camp (UPIC)

ALIM Agency Awards Night 2010

ALIM top agents were celebrated during the 2010 Allianz Agency Awards Night held at the Genting International Convention Centre on 6 May 2010. ALIM once again produced the highest percentage of MDRT qualifiers in the life insurance industry with 116 agents from its over 4,000 strong agency force.

Prof Dr. Michael Heise returns to Kuala Lumpur

Allianz Group Chief Economist Prof Dr. Michael Heise was in Malaysia on 11 May 2010 to present a new study on the economic outlook for Asia. In conjunction with his visit, a press conference was held at Plaza Sentral, Kuala Lumpur involving leading journalists from the media. Heise was joined by Ng Hang Ming (former Chief Executive Officer of AGIC) and Ong Eng Chow, Chief Financial Officer of AMB. This was Heise's second visit to Malaysia. The visit proved to be a sustainable project for our local journalists to look forward to as an annual affair.

Allianz takes part in University Pathfinder Investment Camp ("UPIC")

The UPIC is an initiative under the Ministry of Higher Education to prepare local graduates for working life. Allianz Malaysia, along with other financial institutions such as Prudential, Maybank and CIMB Bank, were invited to give the students a career talk. Students were also invited to apply to join Allianz Malaysia while an onsite interview with HR was held in Putrajaya on 27 May 2010. From the interview, a number of promising candidates were shortlisted for various positions in the Group.

Calendar of Moments

June - Penang hosts Durian Fest

June - Annual General Meeting 2010

June - Dragon cruise across Putrajaya

June - AGIC National Marketing Convention 2010

June - AGIC National Marketing Convention 2010

June - Dragon cruise across Putrajaya

June 2010

Annual General Meeting 2010

The 36th Annual General Meeting ("AGM") was held on 24 June 2010 at the Junior Ballroom of Hotel Nikko, Kuala Lumpur. The AGM was presided by the Chairman and the Board of Directors of AMB. An Extraordinary General Meeting ("EGM") was also held at the same venue immediately after the AGM. Shareholders approved all the resolutions tabled at the AGM and EGM.

Dragon cruise across Putrajaya

The 1Malaysia International Dragon Boat Festival 2010 ("1MIDBF 2010") kicked off from 18 to 20 June 2010 at the Putrajaya International Water Sports Complex. As Jade category sponsors, Allianz Malaysia sponsored 1,000 pieces of specially designed T-shirts for the event which also featured the Allianz logo. The internationally recognised water sport event attracted 60 teams comprising 1,650 participants from Canada, Australia, Japan, China, Hong Kong, Singapore, Indonesia as well as other neighbouring countries.

Besides promoting goodwill and the capital Putrajaya, the event also reached out to the Breast Cancer Welfare Association by championing their "1 Malaysia 1 Community – We Care" Charity Drive.

Penang hosts Durian Fest

Allianz Malaysia's Penang branch hosted a scrumptious Durian Fest for the second time outside its branch premise in Menara BHL on 30 June 2010, as a way of thanking their business partners and regular customers for their strong support.

AGIC National Marketing Convention 2010

AGIC National Marketing Convention 2010 was held at The Golden Sands Resort and Shangri-La's Rasa Sayang Hotels in Batu Feringghi, Penang from 23 to 26 June 2010. The four-day event was filled with activities which involved the beach and sea, seminars, food and entertainment.

Lau Nai Long or more fondly known as Rajang Lau from Rajang Agencies once again emerged as the Royal Eagle. A heart-warming video presentation by his daughter, son and wife was shown as a tribute to his achievements just before he was called on stage to accept his award. The event attributes the achievement and hard work of the agents.

July - Allianz Blood Donation Drive in Kota Bharu


July - Karsten Loeffler presents in Malaysia


July - Allianz Malaysia takes part in Allianz Games 2010, Budapest


July - Allianz Malaysia takes part in Allianz Games 2010, Budapest

July 2010

Karsten Loeffler presents in Malaysia

Karsten Loeffler, Head of Operations and Projects, Allianz Climate Solution in Munich, Germany was in Malaysia to attend the MARIM FAPARMO Risk and Management Conference 2010, in Langkawi which took place from 6 to 8 July 2010.

In conjunction with his visit, a press briefing on Climate Change Landscape - The Risk and Opportunities was held at Plaza Sentral, Kuala Lumpur on 5 July 2010. The well attended session was also covered by two local TV stations.

Allianz Blood Donation Drive in Kota Bharu

AGIC's Kota Bharu Branch organised a Blood Donation Drive for the 12th year running at their office premise in Jalan Kebun Sultan in Kota Bharu, Kelantan on 8 July 2010. The branch worked together with the Kota Bharu General Hospital and successfully collected 31 pints of blood during the donation drive which started at 1.00 pm and ended at 4.00 pm.

Allianz Malaysia takes part in Allianz Games 2010, Budapest

The Allianz Games was held in Budapest from 15 to 18 July 2010, involving over 1,000 athletes from 45 countries. Eight athletes from Allianz Malaysia represented the Company at the 2010 Allianz Sports in Budapest. They were Muniandy Ramadass, Murugan Thurkayan, Nitthiyavanan Vadivelu, Tony Khoi, Mohd Fazli Masuri, Manikkam N Rajagopal in athletics as well as Abdul Razak Ramlan and Mohd Ehsan Sulaiman for badminton.

Muniandy Ramadass from the Sungai Petani branch won Malaysia's first silver medal in the the Half marathon (21km) race, a bronze medal in the men's 1,500m and a silver medal for the 5,000m event. KL Branch's Murugan Thurkayan won a bronze medal in the men's 100m. Overall, the Malaysian team made the top 20 list with two silver medals and two bronze medals to become the best performing team from Asia.


August - The 2010 August Townhall


August - The 2010 August Townhall

August - Jens Reisch appointed CEO of Allianz Malaysia


August - The 2010 August Townhall


August - Ramadan Goodies

August 2010

Jens Reisch appointed CEO of AMB & ALIM

Jens Reisch succeeded Alexander Ankel as CEO of AMB and ALIM on 4 August 2010. Alexander is currently heading Allianz's operations in Turkey.

Jens' career began in Germany when he joined Allianz in 1983. His vast experience in managing insurance business for the Asia Pacific region proved his capabilities within the Allianz Group. In 2003 he was appointed as CEO of PT Asuransi Allianz Life Indonesia. He was appointed as the Country Head of Allianz in Indonesia in 2007.

The 2010 August Townhall

Held on 4 August 2010 at Wisma MCA, the first townhall for 2010 was a bittersweet gathering as employees welcomed the new CEO of AMB and ALIM, Jens Reisch and bade goodbye to former CEO, Alexander Ankel.

Over 600 employees attended the townhall which covered various topics pertaining to Allianz and its employees. Black and Blue Belts Operational Excellence (OPEX) certificates were presented to successful participants. Loyalty awards were also presented to Allianz employees who have been with the Group for 10, 20, 25, 30 and 35 years. A surprise presentation on former CEO Alexander's time in Malaysia was played on screen before he invited AMB's new CEO, Jens to take the Malaysian stage for the first time.

Ramadhan Goodies

In conjunction with the Muslim fasting month of Ramadhan, AGIC's Customer Service Department distributed 100 packs of food to its Muslim customers and the general public on 27 August 2010 at Allianz Arena in Plaza Sentral.


September - A-Z with Allianz


September - French day with the children of Trinity Children's Home in Petaling Jaya


September - A-Z with Allianz

September - Allianz branding campaign


September - Allianz branding campaign

September - Allianz branding campaign

September 2010

Allianz branding campaign

As part of Allianz Malaysia's branding campaign, more than 50 cars were wrapped in a custom made Allianz design for the duration of 6 months beginning September 2010.

A Putra LRT train was also branded as Allianz with images depicting our extensive range of products as part of Allianz Malaysia's outreach to the public.

French Day with the children of Trinity Children's Home in Petaling Jaya

Allianz Malaysia hosted a French Day with the children of Trinity Children's Home in Petaling Jaya as part of its CSR initiatives. The event gave the children an opportunity to learn French words, games, music, cuisine and the culture. The 16 children of the home were served French food, taught French words, songs and games during the visit to the home by our employees.

"A-Z with Allianz"

Allianz Malaysia hosted the "A-Z with Allianz" health awareness campaign at The Curve from 24 to 26 September 2010. The three-day roadshow was organised as part of Allianz's efforts to increase health awareness among its customers and the general public. The centre court at The Curve was divided into a health and children's section to provide activities for visitors. Various health tests and products were offered by Assunta Hospital, Vista Laser Eye Centre, Anlene and Shiriro. Also present were healthcare vendors such as London Weight Management, Jean Yip Hub and Yun Nam Hair Care.

Throughout the three-day event, visitors were offered a range of free health tests which included tests to monitor blood pressure, body mass index, blood glucose level, ideal weight, screening for cataract, eye power, eye muscular degeneration as well as scalp analysis at the counters set up at the event. The public were also given an opportunity to purchase health products and services at a special rate.

Calendar of Moments


Allianz goes for organic growth

October - Dr. Zedelius visits Malaysia


October - Internal Net Promoter Score


October - Allianz Nite of Achievements

October - Allianz Nite of Achievements

October - Allianz Nite of Achievements


October - Allianz Nite of Achievements


October - Allianz Chief Economist shares findings

October 2010

Allianz Nite of Achievements

The first-ever nationwide gala dinner, the "Allianz Nite of Achievements" was held simultaneously in seven locations across the country on 1 October 2010 to celebrate the 1,500 Allianz Malaysia employee's hard work and contribution. The celebrations took place at the the Mandarin Oriental Hotel in Kuala Lumpur, Eastern & Oriental Hotel in Penang, Impiana Hotel in Ipoh, Hyatt in Kuantan, Mutiara Hotel in Johor Bharu, Tanjung Aru Shangri La Hotel in Kota Kinabalu and the Hilton in Kuching.

Dr. Zedelius visits Malaysia

Dr. Werner Zedelius, a former member of the Allianz SE Board of Management for Insurance Growth Markets was in Kuala Lumpur on 6 October 2010.

During his visit, Dr. Zedelius met with AMB CEO, Jens Reisch for a progress update presentation on Allianz Malaysia. A press interview was also arranged with the local English daily, The Star's business section.

Allianz Chief Economist shares findings

Allianz Group Chief Economist, Prof. Dr. Michael Heise was in Kuala Lumpur on 14 October as part of his "Road Show Asia" trip to Thailand, Malaysia and Singapore from 13 to 15 October. Prof. Heise presented the "Allianz Global Wealth Report 2010" for agents. After an interview with The Edge, Prof Heise held a lively dialogue session with the senior management team of Allianz Malaysia.

Internal Net Promoter Score

As part of Allianz Malaysia's move into a Target Operating Model ("TOM") environment, an Internal Net Promoter Score ("NPS") was implemented within the various departments in Allianz. The Internal NPS aimed to evaluate customer service interactions between departments to ensure transparency while raising the service standards within the Group.


October - Nationwide Collaborative Blood Donation Drive

October - CIMB Asia Pacific Classic Malaysia 2010

October - Allianz International Audit Conference


October - CIMB Asia Pacific Classic Malaysia 2010

Allianz International Audit Conference

Allianz Malaysia hosted the first Asia Pacific Audit Conference from 12 to 14 October 2010 at the Novotel Hotel in Kuala Lumpur. The Conference was attended by 25 auditors from the region as well as 4 representatives from the Allianz Malaysia's Audit Team. The annual conference provided the opportunity to meet and share knowledge, exchange ideas as well as get updates on the latest direction and expectation from Allianz SE Group Audit.

CIMB Asia Pacific Classic Malaysia 2010

One of the most prestigious Golf tournaments, the CIMB Asia Pacific Classic Malaysia 2010 was held at The Mines Resort & Golf Club in Kuala Lumpur from 28 to 31 October. As a sponsor for the event, Allianz Malaysia had its own marquee set up. Allianz played host to agents, brokers, dealers and clients who came to witness 40 international professional golfers play to win the US$1 million prize money.

Nationwide Collaborative Blood Donation Drive

The Life Insurance Association of Malaysia, General Insurance Association of Malaysia and the National Association of Malaysian Life Insurance and Financial Advisors together with its member companies and the National Blood Bank, organised a nationwide blood donation drive in conjunction with the industry's annual charity event, Insurance Day 2010.

The blood donation campaign which took place in 14 centres began on 11 October 2010 and ended on 17 October 2010. Allianz Malaysia also took part in the collaborative effort to organise the drive in Johor together with representatives from Hong Leong Assurance. The Johor drive was held at the Sutera Mall in Skudai, Johor Bharu on 16 October 2010. The Johor team managed to collect a total of 72 bags of blood.

Overall the campaign was very successful with a total of 897 bags of blood collected.

November - Health Day 2010

November - Allianz Malaysia had been certified as TOM compliant

November - Health Day 2010

November - HR Director of the Year

November 2010

Health Day 2010

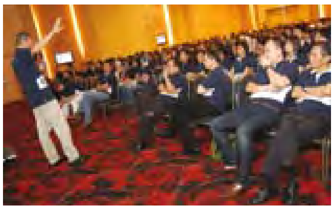
The Human Resources Division organised the 2010 Health Day for employees from all over the Klang Valley on 2 and 3 November 2010. Representatives of Asia Assistance Network (M) Sdn Bhd offered participants a range of free tests that included breast examination, bone density tests, body mass index, eye tests, blood pressure and glucose tests. For a minimal fee of RM10, participants were tested for cholesterol.

AGIC donates to flood victims

In the recent floods in Kangar, Jitra and Alor Setar, AGIC donated RM24,000 to affected staff, agents and policyholders. A total of 28 policyholders whose properties were damaged by the floods also received claims payments.

HR Director of the Year

Allianz Malaysia's, former Group Head of Human Resources, Mohd Parrish Ersalle Bin Abdul Hameed, was awarded with the HR Director of the Year award at the Human Assets Expansion South East Asia Summit 2010, organised by Naseeba in association with Monster.com. The 2-day summit was held at the Park Royal Hotel in Kuala Lumpur, Malaysia from 25 to 26 November 2010. The summit brought together leading HR practitioners from across South East Asia to discuss amongst others, employee engagement, compensation and benefits, talent retention and development and organisational development.



December - Townhall

December - Townhall

December - Allianz supports Malaysia at the AFF Suzuki Cup 2010

December - Townhall

December - Allianz supports Malaysia at the AFF Suzuki Cup 2010

December - Zakri Bin Mohd Khir appointed CEO of AGIC

December 2010

Allianz Malaysia certified as TOM compliant

Allianz Malaysia was certified as TOM compliant by Allianz SE in December. TOM is a consistent orientation of the organisation to customers' needs. It was initiated to reduce complexity within the Group both legally and operationally via a simplified and shared operating model through which synergies and the exchange of best practices will be leveraged.

Townhall

On 3 December 2010, Allianz Malaysia's new Vision, Mission, Values and Goals was introduced to all employees nationwide via townhalls held in the Klang Valley and in the respective branches. Employees were each given a specially designed T-shirt, pillow, mug as well as highlighters with the Vision, Mission, Values and Goals printed on them.

The December townhall was split into two sessions (morning and evening) and held at Mercu UEM opposite Plaza Sentral.

Zakri Bin Mohd Khir appointed CEO of AGIC

Zakri Bin Mohd Khir was formally appointed as CEO of AGIC on 6 December 2010. He succeeded AGIC's former CEO, Ng Hang Ming. Zakri joined Allianz Malaysia in 2000 as the Head of Industrial Business. Prior to his new appointment, he was the Head of Operations Division of AGIC. Zakri has over 22 years of experience in the insurance industry.

Allianz supports Malaysia at the AFF Suzuki Cup 2010

Allianz Malaysia purchased 300 tickets for lucky employees to show Allianz's support for the country at the AFF Suzuki Cup 2010 football final. The game took place at the Bukit Jalil National Stadium in Kuala Lumpur, Malaysia on 26 December 2010.

Employees together with AMB CEO, Jens Reisch joined 85,000 fans to watch Malaysia win 3-0 against Indonesia.

Calendar of Moments


January - ALIM has moved

February - First Townhall for 2011


February - First Townhall for 2011

March - Allianz Launches Income Enhancer


March - Insurance Scheme to Benefit 100,000 Hardcore Poor and Poor Families

January 2011

ALIM has moved

The doors were closed one final time to mark the closing of an old chapter at Wisma UOA II and completion of ALIM's relocation to Plaza Sentral on 24 January 2011.

February 2011

First Townhall for 2011

The first townhall was held at Wisma MCA to update employees from the Klang Valley on the 2010 financial highlights for Malaysia, the Allianz Group, changes in AZAP, results of the Employee Engagement Survey, remuneration and future plans.

March 2011

Allianz launches Income Enhancer

ALIM started the year with the launch of Income Enhancer which is designed to provide policyholders with an added income to complement their lifestyle. The short premium payment term plan offers policyholders insurance coverage for 20 years with 6 years of premium payment.

Insurance Scheme to Benefit 100,000 Hardcore Poor and Poor Families

Allianz Malaysia held the signing of a Memorandum of Understanding with Yayasan Kebajikan Negara on 14 March where the Company was entrusted by the Malaysian government with the role of assisting 100,000 hardcore poor and poor families in Malaysia under the Skim Insurans Untuk Kumpulan Sasar National Key Results Area Low Income Household. The signing ceremony was witnessed by the Minister of Women, Family and Community Development.

Financial Statements

Directors' Report
for the year ended 31 December 2010

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2010.

Principal activities

The Company is principally engaged in investment holding whilst the principal activities of the subsidiaries are as stated in Note 7 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Profit/(loss) for the year	129,200	(255)

Dividends

Since the end of the previous financial year, the Company paid a first and final ordinary dividend of 2.00 sen per ordinary share less tax at 25% totaling RM2,308,038 in respect of the financial year ended 31 December 2009 on 3 August 2010.

The Directors recommended a first and final dividend of 3.50 sen per ordinary share less 25% tax (2009: 2.00 sen less 25% tax) and a preference share dividend of 4.20 sen per Irredeemable Convertible Preference Share ("ICPS") under single tier system in respect of the financial year ended 31 December 2010.

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 of the Company

The Directors who served since the date of the last report are:

Tan Sri Razali Ismail (Chairman)
Dato' Seri Nik Abidin Bin Nik Omar
Foo San Kan
Craig Anthony Ellis
Ong Eng Chow
Zakri Bin Mohd Khir (appointed on 26 April 2010)
Jens Reisch (appointed on 4 August 2010)
Cornelius Alexander Ioannis Ankel (resigned on 4 August 2010)
Dung Tri Nguyen @ Don Tri Nguyen (resigned on 25 October 2010)

Directors' interests

The interests and deemed interests in the shares of RM1.00 each of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares at RM1.00 each			
Interest in the Company	**At 1.1.2010**	**Bought**	**Sold**	**At 31.12.2010**
Zakri Bin Mohd Khir	100	-	-	100
Ong Eng Chow	100	-	-	100

	Number of ICPS of RM1.00 each*			
	At 6.8.2010	**Bought**	**Sold**	**At 31.12.2010**
Zakri Bin Mohd Khir	200	-	-	200
Ong Eng Chow	100	-	-	100

	Number of registered shares**			
Interest in the ultimate holding company, Allianz SE	**At 1.1.2010**	**Bought**	**Sold**	**At 31.12.2010**
Craig Anthony Ellis	33	-	-	33
Jens Reisch	536	-	-	536

* The listing and quotation of ICPS on the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") on 6 August 2010.

** The shares have no par value.

Save as disclosed above, none of the other Directors holding office at 31 December 2010 had any interest in the ordinary shares and ICPS of the Company and of its related corporations during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Employee Share Scheme

The Company implemented an Employee Share Scheme ("ESS") on 24 July 2007 for eligible employees of the Group. The ESS involves the issuance of new ordinary shares to the eligible employees of the Group who meet the eligible criteria as prescribed under the By-Laws for the ESS. The ESS expired on 23 July 2009.

Issue of shares

During the financial year, the Company:

(a) increased its authorised share capital from RM200,000,000 comprising 200,000,000 ordinary shares of RM1.00 each to RM1,000,000,000 comprising 600,000,000 ordinary shares of RM1.00 each and 400,000,000 ICPS by the creation of 400,000,000 ordinary shares of RM1.00 each and 400,000,000 ICPS of RM1.00 each.

(b) issued 192,336,547 ICPS of RM1.00 each at an issue price of RM3.18 each for a total cash consideration of RM611,630,219.

There were no other changes in the authorised, issued and paid-up 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.

Significant events during the year

(a) Transfer of property, plant and equipment to Allianz General Insurance Company (Malaysia) Berhad ("AGIC")

In year 2009, the Board of Directors of the Company approved the disposal of 14 properties and assets from the Company to its wholly-owned subsidiary, AGIC.

The following agreements were entered into between the Company and AGIC:

(i) 10 Sale and Purchase Agreements ("SPAs") dated 26 March 2009 and 4 SPAs dated 13 April 2009 for the disposal of 14 properties from the Company to AGIC;

(ii) an Assets Purchase Agreement ("APA") dated 26 March 2009 for the disposal of certain assets from the Company to AGIC; and

(iii) a Master Subordinated Loan Agreement dated 26 March 2009 in relation to the final sale consideration of the above mentioned 14 properties.

The APA was completed on 1 April 2009 with a sale consideration of RM30,669,577. The 13 SPAs in relation to the disposal of 13 properties in East and West Malaysia were completed during the financial year 2009 and the remaining disposal of 1 property was completed on 11 May 2010, pursuant to the terms and conditions of their respective SPAs with a total sale consideration of RM19,784,796.66.

The instruments of transfer for the 14 properties have been successfully presented at the respective land offices following the approval of exemption of stamp duty on the said instruments by the relevant authority during the financial year 2010 and all the said 14 properties have been duly registered in the name of AGIC.

On 11 December 2009, the Company sought Bank Negara Malaysia ("BNM")'s consideration for the proposed repayment of subordinated loan via the issuance and allotment of ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to the total sale consideration of the 14 properties.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the said subordinated loan and the increase in issued and paid-up share capital of AGIC.

Accordingly, the said subordinated loan was repaid via the allotment and issuance of 19,784,796 new ordinary shares of RM1.00 each at par by AGIC to the Company on 4 June 2010, whilst the balance of RM0.66 was settled in cash by AGIC to AMB.

Significant events during the year (continued)

(b) Renounceable Rights Issue of 192,336,547 ICPS of RM1.00 each

During the year, the Company has undertaken a renounceable rights issue of 192,336,547 ICPS on the basis of 125 ICPS for every 100 ordinary shares of RM1.00 each in AMB ("AMB Share(s)") held as at 5.00 p.m. on 8 July 2010 at an issue price of RM3.18 per ICPS ("Rights Issue") for the purposes of repaying the RM490 million credit facility granted by Allianz SE to the Company ("Credit Facility") in 2007 for the acquisition of the entire equity interest in Commerce Assurance Berhad (now known as Bright Mission Berhad) and to increase the capital base of AGIC and Allianz Life Insurance Malaysia Berhad ("ALIM") to enable each of them to meet their respective capital requirements under the Risk-Based Capital Framework for Insurers issued by BNM.

The Rights Issue has been completed following the listing and quotation of 192,336,547 ICPS on the Official List of Bursa Securities on 6 August 2010.

Following the completion of the Rights Issue, the total amount outstanding under the Credit Facility was fully repaid by the Company in the following manner:

(a) a sum of RM458,565,120.24 was repaid by the Company to Allianz SE by way of a set-off against an equivalent amount of the total consideration for Allianz SE's entitled subscription of 144,202,868 ICPS under the Rights Issue on 4 August 2010.

(b) the remaining outstanding sum of RM31,434,879.76 was repaid by the Company in cash to Allianz SE on 6 August 2010.

(c) Proposed acquisition of equity interest in Takaful Ikhlas Sdn. Bhd. by the Company ("Proposed Acquisition")

On 20 December 2010, the Company announced to Bursa Securities that BNM has via its letter dated 17 December 2010 granted approval to the Company to commence negotiation with MNRB Holdings Berhad ("MNRB") on the Proposed Acquisition.

The negotiation between the Company and MNRB is currently in progress.

Other statutory information

Before the statements of financial position, income statements and statements of comprehensive income of the Group and 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 had been 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 Framework issued by 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 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

Other statutory information (continued)

(iii) which have arisen which render adherence to the existing method of valuation of assets and 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.

No contingent liabilities 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 when they fall due.

For the purpose of this paragraph, contingent 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 year ended 31 December 2010 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.

Holding company

The holding and ultimate holding company is Allianz SE, a public company incorporated and domiciled in Germany.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Razali Ismail

Jens Reisch

Kuala Lumpur,

Date: 22 March 2011

Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 99 to 196 are drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2010 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 43 to the financial statements has been compiled in accordance with the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Razali Ismail

Jens Reisch

Kuala Lumpur,

Date: 22 March 2011

Statutory Declaration pursuant to Section 169(16) of the Companies Act, 1965

I, Ong Eng Chow, the Director primarily responsible for the financial management of Allianz Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 99 to 197 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur in the Wilayah Persekutuan on 22 March 2011.

Ong Eng Chow

Before me:

Independent Auditors' Report to the members of Allianz Malaysia Berhad

Report on the Financial Statements

We have audited the financial statements of Allianz Malaysia Berhad, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 99 to 196.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) Our audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information set out in Note 43 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Foong Mun Kong
Approval Number: 2613/12/12(J)
Chartered Accountant

Petaling Jaya,
Date: 22 March 2011

Statements of Financial Position
as at 31 December 2010

		Group			Company		
	Note	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated
Assets							
Non-current assets							
Property, plant and equipment	3	87,423	95,587	94,331	819	187	821
Intangible assets	4	309,629	318,181	328,791	-	-	-
Investment properties	6	3,392	4,312	4,282	-	-	-
Investments in subsidiaries	7	-	-	-	1,084,521	926,613	793,408
Subordinated loans	16.2	-	-	-	28,171	30,670	3,600
Deferred tax assets	17	2,074	2,371	11,695	-	-	-
Reinsurance assets	12	502,384	450,261	196,349	-	-	-
Investments	8	871,064	503,054	75,048	-	-	15,715
Other receivables, deposits and prepayments	10	13,864	12,913	4,739	1,242	1,397	728
Total non-current assets		1,789,830	1,386,679	715,235	1,114,753	958,867	814,272
Current assets							
Investments	8	3,762,277	3,082,858	2,862,942	-	20,801	15,720
Subordinated loans	16.2	-	-	-	-	35,932	14,000
Reinsurance assets	12	546,430	548,505	718,331	-	-	-
Deferred acquisitions costs	5	42,598	39,400	37,068	-	-	-
Insurance receivables	9	100,164	141,717	159,486	-	-	-
Other receivables, deposits and prepayments	10	106,733	71,343	120,454	2,718	1,969	5,930
Current tax assets		1,890	5,102	11,777	1,880	2,181	2,942
Assets classified as held for sale	11	2,440	-	-	-	1,452	53,169
Cash and cash equivalents		494,755	490,265	350,133	7,631	7,953	23
Total current assets		5,057,287	4,379,190	4,260,191	12,229	70,288	91,784
Total assets		6,847,117	5,765,869	4,975,426	1,126,982	1,029,155	906,056
Equity							
Share capital	19	153,869	153,869	153,869	153,869	153,869	153,869
Irredeemable Convertible Preference Shares	19	192,337	-	-	192,337	-	-
Reserves	20	913,395	350,874	234,249	646,038	228,356	227,666
Total equity attributable to shareholders of the Company		1,259,601	504,743	388,118	992,244	382,225	381,535

Statements of Financial Position

		Group			Company		
	Note	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated	31.12.2010 RM'000	31.12.2009 RM'000 Restated	1.1.2009 RM'000 Restated
Liabilities							
Non-current liabilities							
Insurance contract liabilities	18	2,033,555	1,577,432	1,700,930	-	-	-
Other financial liabilities		1,582	1,697	3,033	-	-	-
Insurance payables	14	16,589	17,683	-	-	-	-
Other payables and accruals	15	49,921	38,148	22,501	133,205	133,205	1,811
Deferred tax liabilities	17	10,427	7,141	5,364	10	108	3,702
Subordinated loans	16.1	-	490,000	490,000	-	490,000	490,000
Total non-current liabilities		2,112,074	2,132,101	2,221,828	133,215	623,313	495,513
Current liabilities							
Insurance contract liabilities	18	2,985,726	2,663,496	1,905,524	-	-	-
Other financial liabilities		2,013	2,099	2,878	-	-	-
Insurance payables	14	275,151	259,723	270,789	-	-	-
Other payables and accruals	15	146,906	160,388	154,329	1,523	23,617	29,008
Benefits and claims liabilities	13	59,545	37,159	31,960	-	-	-
Current tax liabilities		6,101	6,160	-	-	-	-
Total current liabilities		3,475,442	3,129,025	2,365,480	1,523	23,617	29,008
Total liabilities		5,587,516	5,261,126	4,587,308	134,738	646,930	524,521
Total equity and liabilities		6,847,117	5,765,869	4,975,426	1,126,982	1,029,155	906,056

The notes on pages 106 to 196 are an integral part of these financial statements.

Income Statements
for the year ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Operating revenue	21	2,509,037	2,221,617	2,265	1,200
Gross earned premiums		2,324,869	2,070,226	-	-
Premiums ceded to reinsurers		(488,136)	(473,631)	-	-
Net earned premiums	22	1,836,733	1,596,595	-	-
Investment income	23	184,168	151,391	2,265	1,200
Realised gains and losses	24	41,611	19,589	-	39
Fair value gains and losses	25	1,150	23,709	-	-
Fee and commission income	26	84,709	78,658	-	-
Other operating income		25,004	19,868	44	111
Other revenue		336,642	293,215	2,309	1,350
Gross benefits and claims paid	27(a)	(971,830)	(761,324)	-	-
Claims ceded to reinsurers	27(b)	277,389	198,011	-	-
Gross change to contract liabilities	27(c)	(689,111)	(633,583)	-	-
Change in contract liabilities ceded to reinsurers	27(d)	72,606	87,324	-	-
Net benefits and claims		(1,310,946)	(1,109,572)	-	-
Fee and commission expense		(409,604)	(359,261)	-	-
Management expenses	28	(232,654)	(225,635)	(2,151)	(1,307)
Other operating expenses		(28,621)	(18,373)	(207)	(345)
Other expenses		(670,879)	(603,269)	(2,358)	(1,652)
Profit/(loss) before tax		191,550	176,969	(49)	(302)
Tax expense	29	(62,350)	(58,112)	(206)	2,204
Net profit/(loss) for the year		129,200	118,857	(255)	1,902

The notes on pages 106 to 196 are an integral part of these financial statements.

Statements of Comprehensive Income
for the year ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Net profit/(loss) for the year		129,200	118,857	(255)	1,902
Other comprehensive income					
Fair value of available-for-sale financial assets		2,386	-	-	-
Revaluation of property, plant and equipment		(42)	(290)	(514)	(6,279)
Tax effects thereon		(619)	3	102	1,096
Other comprehensive income for the year, net of tax		**1,725**	**(287)**	**(412)**	**(5,183)**
Total comprehensive income for the year		**130,925**	**118,570**	**(667)**	**(3,281)**
Profit/(loss) attributable to:					
Owners of the Company		129,200	118,857	(255)	1,902
Total comprehensive income for the year attributable to:					
Owners of the Company		**130,925**	**118,570**	**(667)**	**(3,281)**
Basic earnings per ordinary share (sen)	30	83.97	77.25	-	-
Diluted earnings per share (sen)	30	50.33	77.25	-	-

The notes on pages 106 to 196 are an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 December 2010

		Attributable to owners of the Company						
		Non-distributable					*Distributable*	
	Note	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Asset revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000
Group								
At 1 January 2009		153,869	-	5,529	5,684	-	223,036	388,118
Total comprehensive income for the year		-	-	-	(287)	-	118,857	118,570
Dividends to owners of the Company	31	-	-	-	-	-	(2,308)	(2,308)
Disposal of lands and buildings		-	-	-	-	-	363	363
At 31 December 2009		153,869	-	5,529	5,397	-	339,948	504,743
At 1 January 2010, as previously stated		153,869	-	5,529	5,397	-	339,948	504,743
Effect of adopting FRS 139		-	-	-	-	9,669	4,941	14,610
At 1 January 2010, as restated		153,869	-	5,529	5,397	9,669	344,889	519,353
Total comprehensive income for the year		-	-	-	(42)	1,767	129,200	130,925
Issuance of Irredeemable Convertible Preference Shares ("ICPS")		-	192,337	419,294	-	-	-	611,631
Dividends to owners of the Company	31	-	-	-	-	-	(2,308)	(2,308)
At 31 December 2010		153,869	192,337	424,823	5,355	11,436	471,781	1,259,601
Company								
At 1 January 2009		153,869	-	5,529	5,595	-	216,542	381,535
Total comprehensive income for the year		-	-	-	(5,183)	-	1,902	(3,281)
Dividends to owners of the Company	31	-	-	-	-	-	(2,308)	(2,308)
Disposal of land and buildings		-	-	-	-	-	5,183	5,183
Effect of deferred tax		-	-	-	-	-	1,096	1,096
At 31 December 2009		153,869	-	5,529	412	-	222,415	382,225
At 1 January 2010, as previously stated		153,869	-	5,529	412	-	222,415	382,225
Effect of adopting FRS 139		-	-	-	-	-	849	849
At 1 January 2010, as restated		153,869	-	5,529	412	-	223,264	383,074
Total comprehensive income for the year		-	-	-	(412)	-	(255)	(667)
Issuance of Irredeemable Convertible Preference Shares ("ICPS")		-	192,337	419,294	-	-	-	611,631
Disposal of land and buildings		-	-	-	-	-	412	412
Effect of deferred tax		-	-	-	-	-	102	102
Dividends to owners of the Company	31	-	-	-	-	-	(2,308)	(2,308)
At 31 December 2010		153,869	192,337	424,823	-	-	221,215	992,244

The notes on pages 106 to 196 are an integral part of these financial statements.

Cash Flow Statements

for the year ended 31 December 2010

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Cash flows from operating activities					
Profit/(loss) before tax		191,550	176,969	(49)	(302)
Investment income		(184,168)	(151,391)	(2,265)	(1,200)
Realised gains recorded in income statement		(41,480)	(19,425)	-	-
Fair value on investments recorded in income statement		(1,370)	(23,679)	-	-
Change in fair value of investment property		220	(30)	-	-
Purchases of HTM financial investments		(188,136)	(446,374)	-	-
Maturity of HTM financial investments		40,000	-	-	-
Purchases of AFS financial investments		(2,096,576)	(1,205,443)	-	-
Maturity of AFS financial investments		462,356	136,715	-	-
Proceeds from sale of AFS financial investments		1,051,126	950,199	-	-
Purchases of HFT financial investments		(2,955,839)	(3,256,147)	-	-
Maturity of HFT financial investments		2,491,372	2,947,432	-	-
Proceeds from sale of HFT financial investments		431,430	304,514	-	-
(Decrease)/increase in loans and receivables		(161,248)	(29,000)	20,801	10,634
Reversal of impairment allowance		-	(8,656)	-	-
Non-cash items:					
Decrease in fair value changes		(60,370)	-	-	-
Depreciation of property, plant and equipment		10,210	9,951	261	173
Gain on disposal of property, plant and equipment		(131)	(164)	-	(39)
Amortisation of intangible assets		11,202	10,918	-	-
Impairment loss on property, plant and equipment		1,041	-	-	-
Impairment loss on properties held for sale		538	-	-	-
Write back of doubtful debts		(1,063)	(11,241)	-	-
Bad debts written off		2,951	9,500	-	-
Bad debts recovered		(122)	(180)	-	-
Property, plant and equipment written off		49	384	-	4
Interest expense		1,343	1,340	-	-
Changes in working capital:					
Increase in reinsurance assets		(50,048)	(84,086)	-	-
Decrease in insurance receivables		47,382	19,217	-	-
(Increase)/decrease in other receivables, deposits and prepayments		(33,342)	52,938	(594)	3,292
Increase in insurance contract liabilities		778,353	634,474	-	-
Increase in deferred acquisition costs		(3,198)	(2,332)	-	-
Decrease in other financial liabilities		(201)	(2,115)	-	-
Increase in insurance payables		14,334	6,617	-	-
(Decrease)/increase in other payables		(4,709)	12,743	(22,094)	129,484
Increase in benefits and claims liabilities		22,386	5,200	-	-
Cash (used in)/generated from operating activities		(224,158)	38,848	(3,940)	142,046
Tax (paid)/refunded		(62,015)	(33,664)	99	467
Dividend received		10,467	6,109	-	-
Coupon interest received		172,658	147,289	2,265	383
Others		(2,925)	(2,960)	-	816
Net cash (used in)/generated from operating activities		(105,973)	155,622	(1,576)	143,712

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Investing activities					
Proceeds from disposal of property, plant and equipment		1,203	2,200	-	506
Acquisition of property, plant and equipment		(7,438)	(13,612)	(893)	(1,643)
Transfer of assets		-	-	-	53,372
Acquisition of intangible assets		(1,519)	(250)	-	(21)
Increase of investment in subsidiaries		-	-	(157,908)	(133,205)
Net cash used in investing activities		(7,754)	(11,662)	(158,801)	(80,991)
Financing activities					
Issuance of preference shares		611,631	-	611,631	-
Dividends paid		(2,308)	(2,308)	(2,308)	(2,308)
Repayment of finance lease liabilities		(1,106)	(1,520)	-	(3,481)
Increase in subordinated loans		(490,000)	-	(449,268)	(49,002)
Net cash generated from/(used in) financing activities		118,217	(3,828)	160,055	(54,791)
Net increase/(decrease) in cash and cash equivalents		4,490	140,132	(322)	7,930
Cash and cash equivalents at 1 January		490,265	350,133	7,953	23
Cash and cash equivalents at 31 December	a)	494,755	490,265	7,631	7,953
a) Cash and cash equivalents comprise:					
Fixed and call deposits with licensed financial institutions					
(with maturity of less than three months)		488,121	482,637	7,223	7,633
Cash and bank balances		6,634	7,628	408	320
		494,755	490,265	7,631	7,953

The notes on pages 106 to 196 are an integral part of these financial statements.

Notes to the Financial Statements

Principal activities and general information

Allianz Malaysia Berhad is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the year ended 31 December 2010 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 year ended 31 December 2010 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 7.

The holding and ultimate holding company is Allianz SE, a public company incorporated and domiciled in Germany.

The financial statements were approved by the Board of Directors on 22 March 2011.

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 Financial Reporting Standards ("FRSs") as modified by Bank Negara Malaysia Guidelines, generally accepted accounting principles in Malaysia, the Companies Act, 1965 and the Insurance Act and Regulations, 1996.

The Company has on 23 February 2011 made an application to the Companies Commission of Malaysia ("CCM") for relief under sub-section 169A(1) of the Companies Act, 1965 ("Application") to consolidate the results of its insurance subsidiaries which are prepared in accordance with Financial Reporting Standards as modified by Bank Negara Malaysia Guidelines ("Modified FRSs").

CCM had on 18 March 2011 approved the Company's Application and accordingly, the Company's consolidated financial statements for financial year ended 2010 are prepared in accordance to Modified FRSs.

The following accounting standards, interpretations and amendments have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 March 2010
Amendments to FRS 132, *Financial Instruments: Presentation - Classification of Rights Issues*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010
- FRS 1, *First-time Adoption of Financial Reporting Standards* (revised)
- FRS 3, *Business Combinations* (revised)
- FRS 127, *Consolidated and Separate Financial Statements* (revised)
- Amendments to FRS 2, *Share-based Payment*

1. Basis of preparation (continued)

1.1 Statement of compliance (continued)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010 (continued)

- Amendments to FRS 5, *Non-current Assets Held for Sale and Discontinued Operations*
- Amendments to FRS 138, *Intangible Assets*
- IC Interpretation 12, *Service Concession Agreements*
- IC Interpretation 16, *Hedges of a Net Investment in a Foreign Operation*
- IC Interpretation 17, *Distributions of Non-cash Assets to Owners*
- Amendments to IC Interpretation 9, *Reassessment of Embedded Derivatives*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, *First-time Adoption of Financial Reporting Standards*
  - *Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters*
  - *Additional Exemptions for First-time Adopters*
- Amendments to FRS 2, *Group Cash-settled Share Based Payment Transactions*
- Amendments to FRS 7, *Financial Instruments: Disclosures - Improving Disclosures about Financial Instruments*
- IC Interpretation 4, *Determining whether an Arrangement contains a Lease*
- IC Interpretation 18, *Transfers of Assets from Customers*
- Improvements to FRSs (2010)

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- IC Interpretation 15, *Agreements for the Construction of Real Estate*

The Group and the Company plan to adopt the abovementioned standards, interpretations and amendments:

- from the annual period beginning 1 January 2011 for those standards, interpretations and amendments that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for FRS 1 (revised), Amendments to FRS 2, Amendments to FRS 1, IC Interpretations 12, and 16 which are not applicable to the Group and the Company.

- from the annual period beginning 1 January 2012 for those standards, interpretations and amendments that will be effective for annual periods beginning on or after 1 July 2011 and 1 January 2012, except for Amendments to IC Interpretation 14 and IC Interpretation 15 which is not applicable to the Group and the Company.

The initial application of aforesaid applicable standards, interpretations and amendments are not expected to have any material impact on the financial statements of the Group and of the Company upon their first adoption.

Following the announcement made by the Malaysian Accounting Standards Board on 1 August 2008, the Group's and the Company's financial statements will be prepared in accordance with the International Financial Reporting Standards framework for annual period beginning on 1 January 2012.

1. Basis of preparation (continued)

1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following assets as explained in their respective accounting policy notes:

- Property, plant and equipment
- Investment properties
- Financial instruments

1.3 Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

1.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

Note 2.3.1 - revaluation of owner occupied properties
Note 2.7 - fair value of financial instruments
Note 2.9 - valuation of investment properties
Note 2.17.2 - valuation of unearned premium reserves
Notes 2.17.3 and 2.18.4 - valuation of benefits, claims and expenses
Note 2.26.1 - valuation of general insurance claims liabilities
Note 2.26.2 - valuation of life insurance contract liabilities
Notes 4 and 7 - determination of recoverable amounts of intangible assets and investments in subsidiaries

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 the Group entities, except as discussed in Notes 2.7. Certain comparative figures have been reclassified to conform with current year's presentation (see Note 42).

2. Significant accounting policies (continued)

2.1 Basis of consolidation

2.1.1 Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are stated in the Company's statement of financial position at cost less any impairment losses, unless the investment is held for sale.

2.1.2 Transactions eliminated on consolidation

Intra-group transactions and balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted investees, if any, are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

2.2 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the date of the transactions.

Monetary assets and liabilities denominated in foreign currencies at 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 translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the income statements, 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

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.

2. Significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

2.3.1 Recognition and measurement (continued)

The Group revalues its properties comprising lands and buildings every five years and at shorter intervals whenever the fair value of the revalued assets is expected to differ materially from their carrying value.

The revalued amounts of properties are determined by using comparison and investment methods. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustments 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 investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual net income is capitalised using a rate of interest to arrive at the capital value of the property.

Valuation of properties involves a degree of judgement before arriving at the respective property's revalued amount. As such, the revalued amount of the properties may be different from its actual market price.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statements.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "realised gains and losses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation reserve account are transferred to retained earnings.

2. Significant accounting policies (continued)

2.3 Property, plant and equipment (continued)

2.3.2 Subsequent cost

The cost of replacing part 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 part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to income statements. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

2.3.3 Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the income statements on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold land	over leased period
Buildings	50 years
Office equipments, computers, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at end of the reporting period.

2.4 Intangible assets

2.4.1 Goodwill

Goodwill arising on business combination is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

For business acquisitions beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

2. Significant accounting policies (continued)

2.4 Intangible assets (continued)

2.4.1 Goodwill (continued)

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in the income statements.

2.4.2 Development costs

Expenditure incurred on software development is capitalised.

The expenditure capitalised includes the cost of materials, direct labour and other directly attributable costs. Other development expenditure is recognised in the income statements as an expense 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 are measured at cost less any accumulated amortisation and 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 the income statements as incurred.

2.4.5 Amortisation

Goodwill with indefinite useful lives is not amortised but are tested for impairment annually and whenever there is an indication that it may be impaired.

Intangible assets with finite useful lives are amortised from the date that they are available for use.

Amortisation is recognised in the income statements on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	5 years
Other intangible assets	3 and 10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

2. Significant accounting policies (continued)

2.5 Leased assets

2.5.1 Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On 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.

2.5.2 Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's statements of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

In the previous year, a leasehold land that normally had an indefinite economic life and title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land was accounted for as an operating lease represents prepaid lease payments, except for leasehold land classified as investment property.

The Group and the Company have adopted the amendment made to FRS 117, Leases in 2010 in relation to the classification of lease of land. Leasehold land which in substance is a finance lease has been reclassified and measured as such retrospectively.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised in the income statements as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to income statements in the reporting period in which they are incurred.

2. Significant accounting policies (continued)

2.6 Investments

Prior to 1 January 2010, investments are recognised initially at purchase price plus attributable transaction costs.

Subsequent to initial recognition:

- Malaysian government securities, Malaysian government guaranteed bonds, Multilateral development bank guaranteed bonds, Cagamas bonds, quoted and unquoted bonds of corporations are stated at cost adjusted for the amortisation of premiums or accretion of discounts, calculated on a straight-line basis, from the date of purchase to maturity date. The amortisation of premiums and accretion of discounts are recognised in the income statements.

- Quoted investments are carried at the lower of cost and market value, determined on an aggregate portfolio basis by category of investments. Specific allowance for diminution in value of quoted investments which is other than temporary will be made if any, when the market value of a quoted investment has been less than 80% of its cost at all times during the preceding 24 months, by writing down the cost of that quoted investment to the average median price for each month during that 24 months.

- Unquoted investments are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted investments, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

- Investments of the investment-linked business are stated at the closing market prices. Any increase or decrease in value of these investments is taken into the investment-linked business income statements.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statements.

All investments in debt and equity securities are accounted for using trade date accounting. Trade date accounting refers to:

a) the recognition of an asset on the day it is transacted by the entity, and

b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is transacted.

2.7 Financial instruments

Arising from the adoption of FRS 139, Financial Instruments: Recognition and Measurement, with effect from 1 January 2010, financial instruments are categorised and measured using accounting policies as mentioned below. Prior to 1 January 2010, accounting policies mentioned in Note 2.6 were applied to these financial instruments. Significant changes to the accounting policies are discussed in Note 41.

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

2.7.1 Initial recognition and measurement

A financial instrument is recognised in the financial statements 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 host contract and the host contract is not categorised at 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.

2.7.2 Financial instruments categories and subsequent measurement

The Group and the Company categorise and measure financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statements.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that the Group and the Company have the positive intention and ability to hold-to-maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

2.7.2 Financial instruments categories and subsequent measurement (continued)

Financial assets (continued)

(c) Loans and receivables, excluding insurance receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market (including fixed deposits with financial institutions), loans and other receivables.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

Prior to the adoption of FRS 139, receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established. Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

The financial impact arising from the adoption of FRS 139 is disclosed in Note 41 to the financial statements.

(d) 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 income statements. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into income statements. Interest calculated for a debt instrument using the effective interest method is recognised in income statements.

(e) 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 yield 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 income statements. 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 2.8.2.

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

2.7.2 Financial instruments categories and subsequent measurement (continued)

Financial assets (continued)

(e) Insurance receivables (continued)

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.7.5 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 2.8).

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 unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in income statements.

2.7.3 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are classified as deferred income and are amortised to income statements using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in income statements upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.7.4 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of 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.

2. Significant accounting policies (continued)

2.7 Financial instruments (continued)

2.7.4 Regular way purchase or sale of financial assets (continued)

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.

2.7.5 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 the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. 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 the income statements.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or 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 the income statements.

2.8 Impairment

2.8.1 Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss, investments in subsidiaries and fixed and call deposits) 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 equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.8.2 below) and held-to-maturity investments is recognised in income statements 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 assets is reduced through the use of an allowance account.

2. Significant accounting policies (continued)

2.8 Impairment (continued)

2.8.1 Financial assets, excluding insurance receivables (continued)

An impairment loss in respect of available-for-sale financial assets is recognised in the income statements and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the 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 the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to income statements.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in income statements and is measured as the difference between the 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 income statements for an investment in an equity instrument is not reversed through income statements.

If, in subsequent 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 income statements, the impairment loss is reversed, to the extent that the 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 the income statements.

2.8.2 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, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

Prior to adoption of FRS 139, known bad debts are written off and specific allowances are made for insurance receivables as follows:

(i) motor premiums which remain outstanding for more than 30 days from the date on which they become receivable;

(ii) non-motor and life premiums, including agents or reinsurance balances, which remain outstanding for more than six (6) months from the date on which they become receivable; and

(iii) all debts which are considered doubtful.

An impairment loss in respect of insurance receivables is recognised in income statements 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.

2. Significant accounting policies (continued)

2.8 Impairment (continued)

2.8.2 Insurance receivables (continued)

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 income statements, the impairment loss is reversed, to the extent that the 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 the income statements.

The financial impact arising from the change in the policy for making allowances for insurance receivables is disclosed in Note 41 to the financial statements.

2.8.3 Non-financial assets

The carrying amounts of other assets (except for investment property that is measured at fair value, deferred tax assets and non-current assets classified as held for sale) 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 (the "cash-generating unit"). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to 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 to sell. In assessing value in use, estimate 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

2. Significant accounting policies (continued)

2.8 Impairment (continued)

2.8.3 Non-financial 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 income statements in the 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 the income statements, a reversal of that impairment loss is recognised in the income statements.

2.9 Investment properties

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, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements in the period in which they arise.

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 the income statements in the period in which the item is derecognised.

An investment property under construction before 1 January 2010 was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development is complete, at which time it is remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement is recognised in income statements.

Following the amendments made to FRS 140, Investment Property, with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

2. Significant accounting policies (continued)

2.9 Investment properties (continued)

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 equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statements. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statements.

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.

Determination of fair value

The Directors estimate the fair values of the Group's investment properties.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

In arriving at the market value, the Directors adopted the comparison method and investment method. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustments 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 investment method entails the determination of the probable gross annual rental the property is capable of producing and deducting therefrom the outgoings to arrive at the annual net income. The annual net income is capitalised using a rate of interest to arrive at the capital value of the property.

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.

2.10 Non-current assets held for sale

Non-current assets, or disposal group comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets or disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

2. Significant accounting policies (continued)

2.10 Non-current assets held for sale (continued)

Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the income statements. Gains are not recognised in excess of any cumulative impairment loss.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated.

2.11 Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hands, deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.7.2 (c).

2.12 Equity instruments

Instruments classified as equity are stated at cost on initial recognition and are not remeasured subsequently.

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 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 income statements.

2.13 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 discount is recognised as finance cost.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation 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. Significant accounting policies (continued)

2.14 Other financial liabilities and payables

Other financial liabilities and 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 yield method.

2.15 Product classification

Product classification applies to the Group's general insurance and life insurance subsidiaries.

The insurance subsidiaries issue contracts that transfer insurance risk or financial risk or both.

Financial risk is the risk of a possible future change in one or more of a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of price or rate, credit rating or credit index or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract. Insurance risk is the risk other than financial risk.

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the insurance subsidiary determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

Investment contracts are those contracts that do not transfer significant insurance risk.

Once a contract has been classified as an insurance contract, it remains 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 expire. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts 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
  - the 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.

2. Significant accounting policies (continued)

2.15 Product classification (continued)

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation is 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 amount 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.

2.16 Reinsurance

Reinsurance applied to the Group's general insurance and life insurance subsidiaries.

Insurance risk is ceded in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in income statements.

The insurance subsidiary also assumes reinsurance risk in the normal course of business for life insurance and general (non-life) insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expire or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

2. Significant accounting policies (continued)

2.17 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.

2.17.1 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.

2.17.2 Unearned premium reserves ("UPR")

The UPR represent the portion of the net premiums of insurance policies written less deductible acquisition costs that relate to the unexpired period of the policies at the end of the financial year.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

a) 25% method for Malaysian marine cargo, aviation cargo and transit business of annual Malaysian general policies business

b) $1/24^{th}$ method or other more accurate for all other classes of annual Malaysian general policies business

c) $1/8^{th}$ method for all other classes of annual overseas inward treaty business

d) Non-annual policies are time-apportioned over the period of the risks

2. Significant accounting policies (continued)

2.17 General insurance underwriting results (continued)

2.17.3 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.

2.17.4 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 original policies which give rise to income. Amortisation is recognised in income statements.

DAC is derecognised when the related contracts are either settled or disposed off.

2.17.5 General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the company, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported (“IBNR”), claims incurred but not enough reserved (“IBNER”) together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation (“PRAD”) calculated at the overall 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.

2. Significant accounting policies (continued)

2.17 General insurance underwriting results (continued)

2.17.5 General insurance contract liabilities (continued)

Premium liabilities

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD calculated at the overall level.

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 during administering these policies and settling the relevant claims, and expected future premium refunds.

2.18 Life insurance underwriting results

2.18.1 Surplus of Life fund

The surplus transferable from the Life fund to the income statements is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders.

2.18.2 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 period, all due premiums are accounted for to the extent that they can be reliably measured.

2.18.3 Reinsurance premiums

Gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

2.18.4 Benefits, claims and expenses

Benefits and claims that are incurred during the financial period 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;

2. Significant accounting policies (continued)

2.18 Life insurance underwriting results (continued)

2.18.4 Benefits, claims and expenses (continued)

- death, surrender and other benefits without due dates are treated as claim 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.

2.18.5 Life insurance contract liabilities

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. 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 made in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit 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 as the contract 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.

Where policies or extensions of a policy are collectively treated as an asset at the fund level under the valuation method adopted, the value of such asset is eliminated through zerorisation.

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 and unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the company.

Adjustments to the liabilities at each reporting date are recorded in income statements. Profits originated from margins of adverse deviations on run-off contracts, are recognised in income statements over the life of the contract, whereas losses are fully recognised in income statements during the first year of run-off.

2. Significant accounting policies (continued)

2.18 Life insurance underwriting results (continued)

2.18.5 Life insurance contract liabilities (continued)

The liability is derecognised when the contract expires, is discharged or is cancelled.

At each reporting date, an assessment is made of whether the recognised life insurance liabilities are adequate, net of present value of in-force business ("PVIF") and deferred acquisition cost ("DAC") by using an existing liability adequacy test.

Any inadequacy is recorded in income statements, initially by impairing PVIF and DAC, and subsequently by establishing technical reserves for the remaining loss. In subsequent periods, the liability for a block of business that has failed the adequacy test is based on the assumptions that are established at the time of the loss recognition. Impairment losses resulting from liability adequacy testing can be reversed in future years if the impairment no longer exists.

2.18.6 Investment contract liabilities

Investment contracts are classified between contracts with and without DPF. The accounting policies for investment contract liabilities with DPF are the same as those for life insurance contract liabilities.

Investment contract liabilities without DPF are recognised when contracts are entered into and premiums are charged. These liabilities are initially recognised at fair value being the transaction price excluding any transaction costs directly attributable to the issue of the contract. Subsequent to initial recognition, investment contract liabilities are remeasured at fair value through profit or loss.

Deposits and withdrawals are recorded directly as an adjustment to the liability in the statements of financial position.

Fair value adjustments are performed at each reporting date and are recognised in income statements. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each unit-linked fund multiplied by the unit-price of those funds at the end of the reporting period. The fund assets and fund liabilities used to determine the unit-prices at the end of the reporting period are adjusted to take into account the effect of deferred tax on unrealised gains and losses on assets in the fund.

The liability is derecognised when the contract expires, is discharged or is cancelled. For a contract that can be cancelled by the policyholder, the fair value cannot be less than the surrender value.

2.19 Fees and commission income

Insurance policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

2. Significant accounting policies (continued)

2.20 Commission and agency expenses

Gross commission and agency expenses, which are cost directly incurred in securing premium on insurance policies, and income derived from reinsurance in the course of ceding of premiums to reinsurers, are charged to income statements in the period in which they are incurred or deferred where appropriate as set out in Note 2.17.4.

2.21 Other revenue recognition

Interest income

Interest income is recognised as it accrues, using the effective interest method except where an interest bearing investment is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

Rental income

Rental income from investment properties is recognised in the income statements 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.

Dividend income

Dividend income is recognised in the income statements 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.

Realised gains and losses on investments

Realised gains and losses recorded in income statements on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.22 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 contribution to the statutory pension funds are charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

2. Significant accounting policies (continued)

2.23 Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity or insurance contract liabilities.

Current tax expense is the expected tax payable on the taxable income 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 years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax base. Deferred tax is not recognised for 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 apply to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.24 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 outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

2.25 Segment reporting

In the previous years, a segment was a distinguishable component of the Group that was engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment) which was subject to risks and rewards that were different from those of other segments.

Following the adoption of FRS 8, 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. An operating segment's 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 assess its performance, and for which discrete financial information is available.

2. Significant accounting policies (continued)

2.26 Significant accounting judgements, estimates and assumptions

2.26.1 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 date of statements of financial position.

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 independent qualified actuary using his 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 includes 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.

Prior to 1 January 2009, claims handling costs were not included in the valuation of claim liabilities. The effect, had the claims handling costs been included in the valuation of claims liabilities previously, was not material to the financial statements in previous years.

2.26.2 Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers and the circular "Temporary Flexibility for Life Insurers Under the Risk-Based Capital Framework for Insurers". Both framework and circular were issued by BNM.

2. Significant accounting policies (continued)

2.26 Significant accounting judgements, estimates and assumptions (continued)

2.26.2 Valuation of life insurance contract liabilities (continued)

The life insurance contract liability is valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The expected future cash flow is determined using best estimate assumptions and with due regard to significant recent experience.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies and non-unit liabilities of investment-linked policies.

For 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the premium and claim liabilities is valued separately at a probability of sufficiency level at 75%. Liability is calculated on the basis of the 1/24th method; to both claims and premiums, reduced by the percentage of accounted gross direct business commissions and agency-related expenses to corresponding premiums.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy and the non-unit liability of an investment-linked 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 liability of participating policies.

Risk-free discount rate for durations of less than 15 years is the weighted average of zero-coupon spot yields of Malaysian Government Securities ("MGS") with matching duration. Risk-free discount rate for durations of 15 years or more is the weighted average of zero-coupon spot yields of MGS with 15 years term to maturity. Duration is the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

The weighted average referred is computed based on the spot yields on the valuation date and the simple average of the spot yields over 7 preceding quarters. The valuation date spot yield carries 30% weight while the simple average of the spot yields at the end of each of the quarters preceding the current quarter carries 70% weight.

3. Property, plant and equipment

Group	Note	Lands RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipments, 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 2009, restated		16,912	19,247	24,110	46,625	3,158	21,008	2,318	133,378
Additions		-	-	2,500	2,018	529	2,463	6,102	13,612
Disposals		(368)	(1,212)	-	(425)	(778)	(340)	-	(3,123)
Written off		-	-	-	(21,417)	(3)	(2,548)	(5)	(23,973)
Reclassification		-	-	-	102	-	342	(502)	(58)
Revaluation of owner -occupied properties		20	-	-	-	-	-	-	20
At 31 December 2009/ 1 January 2010, restated		16,564	18,035	26,610	26,903	2,906	20,925	7,913	119,856
Additions		-	-	-	1,614	882	295	4,647	7,438
Disposals		-	(1,085)	-	(963)	(584)	(43)	-	(2,675)
Written off		-	-	-	(706)	-	(77)	-	(783)
Reclassification		-	-	-	6,213	-	251	(7,595)	(1,131)
Transfer to assets held for sale	11	(440)	(1,810)	-	-	-	-	-	(2,250)
At 31 December 2010		16,124	15,140	26,610	33,061	3,204	21,351	4,965	120,455

* 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).

Group	Note	Lands RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipments, 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 2009, restated		413	1,296	731	28,040	1,771	6,796	-	39,047
Depreciation for the year	28	141	502	578	6,184	313	2,233	-	9,951
Disposals		-	(76)	-	(393)	(323)	(295)	-	(1,087)
Written off		-	-	-	(21,182)	-	(2,407)	-	(23,589)
Offset of accumulated depreciation on revaluation		-	(53)	-	-	-	-	-	(53)
At 31 December 2009/ 1 January 2010, restated		554	1,669	1,309	12,649	1,761	6,327	-	24,269
Transfer to assets held for sale	11	-	(151)	-	-	-	-	-	(151)
Depreciation for the year	28	141	540	531	6,303	323	2,372	-	10,210
Disposals		-	(76)	-	(931)	(569)	(27)	-	(1,603)
Written off		-	-	-	(659)	-	(75)	-	(734)
Offset of accumulated depreciation on revaluation		-	-	-	-	-	-	-	-
At 31 December 2010		695	1,982	1,840	17,362	1,515	8,597	-	31,991

* The carrying amounts of land and buildings are not segregated as the required information is not available.

3. Property, plant and equipment (continued)

Group	Lands RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipments, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work in progress RM'000	Total RM'000
Impairment								
At 1 January 2009, restated	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-
Written off	-	-	-	-	-	-	-	-
At 31 December 2009/ 1 January 2010, restated	-	-	-	-	-	-	-	-
Additions	-	-	(1,041)	-	-	-	-	(1,041)
At 31 December 2010	-	-	(1,041)	-	-	-	-	(1,041)
Carrying amounts								
At 1 January 2009, restated	16,499	17,951	23,379	18,585	1,387	14,212	2,318	94,331
At 31 December 2009/ 1 January 2010, restated	16,010	16,366	25,301	14,254	1,145	14,598	7,913	95,587
At 31 December 2010	15,429	13,158	23,729	15,699	1,689	12,754	4,965	87,423

* The carrying amounts of land and buildings are not segregated as the required information is not available.

Company	Lands RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipments, 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 2009	368	112	-	4	848	16	-	1,348
Additions	-	-	-	132	-	1,511	-	1,643
Disposals	(368)	(112)	-	-	-	-	-	(480)
Written off	-	-	-	(4)	-	-	-	(4)
Transfer of assets	-	-	-	(122)	-	(1,512)	-	(1,634)
At 31 December 2009/1 January 2010	-	-	-	10	848	15	-	873
Additions	-	-	-	10	882	-	1	893
At 31 December 2010	-	-	-	20	1,730	15	1	1,766

3. Property, plant and equipment (continued)

Company	Note	Lands RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipments, 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 2009		-	13	-	3	509	2	-	527
Depreciation for the year	28	-	-	-	3	168	2	-	173
Disposals		-	(13)	-	-	-	-	-	(13)
Written off		-	-	-	(1)	-	-	-	(1)
At 31 December 2009/ 1 January 2010		-	-	-	5	677	4	-	686
Depreciation for the year	28	-	-	-	5	246	10	-	261
At 31 December 2010		-	-	-	10	923	14	-	947
Carrying amounts									
At 1 January 2009		368	99	-	1	339	14	-	821
At 31 December 2009/ 1 January 2010		-	-	-	5	171	11	-	187
At 31 December 2010		-	-	-	10	807	1	1	819

3.1 Revaluation of properties

All the Group's lands and buildings were revalued in 2006 and 2007 by independent professional qualified valuers using the comparison and investment methods.

Had the lands and buildings of the Group been carried under the cost model, their carrying amounts would have been as follows:

Group	31.12.2010 RM'000	31.12.2009 RM'000
Lands	5,329	5,523
Buildings	9,246	11,942
Land and buildings	24,724	25,302
	39,299	42,767

3.2 Leased computers

At 31 December 2010, the net carrying amounts of leased computers of the Group and of the Company were RM1,155,790 and Nil (2009: RM2,120,971 and Nil), respectively.

3. Property, plant and equipment (continued)

3.3 Lands

Included in the carrying amounts of lands are:

Group	31.12.2010 RM'000	31.12.2009 RM'000 Restated
Freehold lands	5,760	6,200
Long term leasehold land	9,669	9,810
	15,429	16,010

4. Intangible assets

Group	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost					
At 1 January 2009		244,600	12,040	88,933	345,573
Reclassification		-	58	-	58
Additions		-	250	-	250
At 31 December 2009/1 January 2010		244,600	12,348	88,933	345,881
Reclassification		-	1,131	-	1,131
Additions		-	1,519	-	1,519
At 31 December 2010		244,600	14,998	88,933	348,531
Amortisation					
At 1 January 2009		-	4,925	11,857	16,782
Amortisation for the year	28	-	2,025	8,893	10,918
At 31 December 2009/1 January 2010		-	6,950	20,750	27,700
Amortisation for the year	28	-	2,309	8,893	11,202
At 31 December 2010		-	9,259	29,643	38,902
Carrying amounts					
At 1 January 2009		244,600	7,115	77,076	328,791
At 31 December 2009/1 January 2010		244,600	5,398	68,183	318,181
At 31 December 2010		244,600	5,739	59,290	309,629

4.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	31.12.2010 RM'000	31.12.2009 RM'000
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/Bright Mission Berhad ("BMB")	239,610	239,610
	244,600	244,600

4. Intangible assets (continued)

4.1 Goodwill (continued)

AGIC and BMB (formerly known as Commerce Assurance Berhad ("CAB")) entered into a Business Transfer Agreement dated 17 September 2008 ("BTA") to undertake a scheme of transfer under Part XI of the Insurance Act, 1996 as approved by Bank Negara Malaysia ("Scheme"), which involved the transfer and vesting by CAB to AGIC of CAB's entire general insurance business, undertaking of assets including CAB's liabilities and obligations save for the specified excluded assets and liabilities as detailed in the BTA. The Scheme was confirmed by the High Court of Malaya on 9 December 2008 and took effect on 1 January 2009. Consequently, the carrying amount of goodwill arising from the acquisition of CAB has now been allocated to the entire integrated general insurance business of the Group.

Impairment test for cash-generating unit ("CGU") containing goodwill

For goodwill attributable to the acquisition of CAB, following the Scheme on 1 January 2009, the carrying amount of goodwill has been allocated to the entire integrated general insurance business of the Group as one CGU, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The recoverable amount is the value in use of the entire general insurance business which represents the present value of combined projected future cash flows for ten years discounted at the shareholders' required rate of return. The projected future cash flows of ten years were based on management approved budgets for three years and the use of several key assumptions over the next seven years as set out below.

The projected future cash flows for the entire integrated general insurance business were prepared based on the following key assumptions:

Key assumptions	
Premium growth rate	4 - 5% per annum
Discount rate	9%
Investment yield	3.5% per annum

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the 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. Embedded Value is the present value of future shareholders distributable profits after tax discounted at the shareholders' required rate of return, or the risk discount rate 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 recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised.

4.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS") and Integrated Insurance Management System ("IIMS"). Both systems are integrated systems designed to improve the efficiency of the business activities of the subsidiaries. These software development costs are amortised over a period of five years.

4. Intangible assets (continued)

4.3 Other intangible assets

The other intangibles assets are as follows:

Group	Note	31.12.2010 RM'000	31.12.2009 RM'000
Cost			
The Bancassurance Agreement	4.3.1	88,933	88,933

4.3.1 The Bancassurance Agreement

The Bancassurance Agreement was entered between the Group's general insurance entity, AGIC and CIMB Bank Berhad and formed an integral part of the acquisition of BMB by the Company on 28 August 2007 from Commerce International Group Berhad ("CIG"). The Group's general insurance business is further enhanced through the leverage on CIMB Bank's customer base and nationwide network. The 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 ten years using the discounting cash flow model. The recognised intangible asset is amortised over its useful life of ten years.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

Key assumptions	
Bancassurance premium growth rate	8% per annum
Discount rate	9%
Investment yield	4.5% per annum

5. Deferred acquisitions costs

Group	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2009	54,696	(17,628)	37,068
Movement during the year	4,984	(2,652)	2,332
At 31 December 2009/1 January 2010	59,680	(20,280)	39,400
Movement during the year	(32)	3,230	3,198
At 31 December 2010	59,648	(17,050)	42,598

6. Investment properties

Group	Note	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January		4,312	4,282
Change in fair value	25	(220)	30
Transfer to assets held for sale	11.2	(700)	-
At 31 December		3,392	4,312
Included in the above are:			
At fair value			
Freehold land		410	1,010
Leasehold land with unexpired lease period of less than 50 years		2,482	2,482
Buildings		500	820
		3,392	4,312

The fair value of the investment properties are determined based on market values using the comparison and investment methods. The following are recognised in the income statements in respect of investment properties:

Group	2010 RM'000	2009 RM'000
Rental income	186	128

7. Investments in subsidiaries

Company	31.12.2010 RM'000	31.12.2009 RM'000
At cost		
Unquoted shares:		
At 1 January	926,613	793,408
Addition	157,908	133,205
At 31 December	1,084,521	926,613

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 2010 %	Effective ownership interest 2009 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance	Malaysia	100	100
Bright Mission Berhad ("BMB")	Investment holding	Malaysia	100	100

8. Investments

	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Group			
Malaysian government securities	1,617,404	1,672,616	1,277,106
Malaysian government guaranteed bonds	367,006	234,542	155,037
Multilateral development bank guaranteed bonds	345,557	172,003	174,373
Quoted equity securities of corporations in Malaysia	340,476	187,025	83,153
Quoted equity securities of corporations outside Malaysia	15,911	-	-
Unquoted equity securities of corporations in Malaysia	2,148	2,148	132
Quoted bonds of corporations in Malaysia	9,201	9,537	5,030
Unquoted bonds of corporations in Malaysia	1,440,164	1,046,697	1,037,872
Quoted unit trusts in Malaysia	48,088	386	8,907
Unquoted unit trusts in Malaysia	384	-	242
Unquoted unit trusts outside Malaysia	30,002	34,960	23,065
Investment linked fund	-	210	-
Negotiable certificate deposits and structured deposits with licensed financial institutions	139,954	111,648	87,913
Commercial loans	202,750	16,951	19,351
Mortgage loans	97	121	171
Policy loans	9,819	7,752	6,147
Automatic premium loans	44,240	35,699	26,796
Other unsecured loans	-	37	-
Fixed and call deposits with:			
Licensed banks	20,140	53,580	32,695
	4,633,341	3,585,912	2,937,990
Company			
Fixed and call deposits with licensed banks	-	20,801	31,435

Financial investments are summarised by categories as follows:

		Current			Non-current			Total		
	Note	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Group										
Held-to-maturity financial assets ("HTM")	(a)	-	30,042	-	595,758	416,576	-	595,758	446,618	-
Available-for-sale financial assets ("AFS")	(b)	3,419,438	2,742,957	2,630,976	74,602	69,600	51,074	3,494,040	2,812,557	2,682,050
Loans and receivables ("LAR")	(c)	74,214	97,092	60,996	200,704	16,878	23,974	274,918	113,970	84,970
Held-for-trading ("HFT")	(d)	268,625	212,767	170,970	-	-	-	268,625	212,767	170,970
		3,762,277	3,082,858	2,862,942	871,064	503,054	75,048	4,633,341	3,585,912	2,937,990
Company										
Loans and receivables ("LAR")	(c)	-	20,801	15,720	-	-	15,715	-	20,801	31,435

8. Investments (continued)

(a) Held-to-maturity financial assets

Group	Amortised cost 31.12.2010 RM'000	Fair value 31.12.2010 RM'000	Amortised cost 31.12.2009 RM'000	Fair value 31.12.2009 RM'000	Amortised cost 1.1.2009 RM'000	Fair value 1.1.2009 RM'000
Malaysian government securities	351,683	361,063	280,698	279,708	-	-
Malaysian government guaranteed bonds	126,098	134,197	93,054	92,984	-	-
Multilateral development bank guaranteed bonds	117,977	120,110	72,866	73,038	-	-
	595,758	615,370	446,618	445,730	-	-

(b) Available-for-sale financial assets

Group	Fair value 31.12.2010 RM'000	Cost 31.12.2009 RM'000	Cost 1.1.2009 RM'000
Malaysian government securities	1,258,086	1,376,230	1,271,843
Malaysian government guaranteed bonds	240,908	141,488	155,037
Multilateral development bank guaranteed bonds	222,562	99,137	174,373
Quoted equity securities of corporations in Malaysia	204,045	75,934	26,900
Quoted equity securities of corporations outside Malaysia	15,911	-	-
Unquoted equity securities of corporations in Malaysia	2,148	2,148	132
Quoted bonds of corporations in Malaysia	8,426	8,594	3,964
Unquoted bonds of corporations in Malaysia	1,372,440	993,844	960,494
Investment linked fund	-	210	-
Quoted unit trusts in Malaysia	47,856	-	3,694
Unquoted unit trusts in Malaysia	384	-	242
Unquoted unit trusts outside Malaysia	10,897	10,271	-
Negotiable certificate deposits and structured deposits with licensed financial institutions	110,377	104,701	85,371
	3,494,040	2,812,557	2,682,050

(c) Loans and receivables

	Amortised cost 31.12.2010 RM'000	Fair value 31.12.2010 RM'000	Amortised cost 31.12.2009 RM'000	Fair value 31.12.2009 RM'000	Amortised cost 1.1.2009 RM'000	Fair value 1.1.2009 RM'000
Group						
Government guaranteed loans	188,000	188,000	-	-	-	-
Commercial loans	12,622	12,622	16,781	16,781	19,161	19,161
Fixed and call deposits with: Licensed banks	20,140	20,140	53,580	53,580	32,695	32,695
Mortgage loans	97	97	121	121	171	171
Policy loans	9,819	9,819	7,752	7,752	6,147	6,147
Automatic premium loans	44,240	44,240	35,699	35,699	26,796	26,796
Other unsecured loans	-	-	37	37	-	-
	274,918	274,918	113,970	113,970	84,970	84,970
Company						
Fixed and call deposits with: Licensed banks	-	-	20,801	20,801	31,435	31,435

8. Investments (continued)

(d) Held-for-trading

Group	Fair value 31.12.2010 RM'000	Fair value 31.12.2009 RM'000	Fair value 1.1.2009 RM'000
Malaysian government securities	7,635	15,688	5,263
Quoted equity securities of corporations in Malaysia	136,431	111,091	56,253
Multilateral development bank guaranteed bonds	5,018	-	-
Quoted bonds of corporations in Malaysia	775	943	1,066
Unquoted bonds of corporations in Malaysia	67,724	52,853	77,378
Quoted unit trusts in Malaysia	232	386	5,213
Unquoted unit trusts outside Malaysia	19,105	24,689	23,065
Commercial loan	2,128	170	190
Negotiable certificate deposits and structured deposits with licensed financial institutions	29,577	6,947	2,542
	268,625	212,767	170,970

Carrying values of financial instruments

Group	HTM RM'000	AFS RM'000	LAR RM'000	HFT RM'000	Total RM'000
At 1 January 2009	-	2,682,050	84,970	170,970	2,937,990
Purchases	446,374	1,205,443	4,450,503	3,256,147	9,358,467
Maturities	-	(136,715)	(4,421,503)	(2,947,432)	(7,505,650)
Disposals	-	(944,247)	-	(291,041)	(1,235,288)
Fair value gains/(losses) recorded in:					
- Income statement	-	-	-	23,679	23,679
Reversal of impairment allowance	-	8,656	-	-	8,656
Accretion of discounts	316	4,272	-	756	5,344
Amortisation of premiums	(72)	(6,902)	-	(312)	(7,286)
At 31 December 2009/At 1 January 2010	446,618	2,812,557	113,970	212,767	3,585,912
Changes in accounting policy, effect from adoption of FRS 139	-	13,163	(300)	-	12,863
Purchases	188,136	2,096,576	9,231,235	2,955,839	14,471,786
Maturities	(40,000)	(462,356)	(9,069,987)	(2,491,372)	(12,063,715)
Disposals	-	(1,030,634)	-	(410,442)	(1,441,076)
Fair value gains/(losses) recorded in:					
- Income statement	-	(134)	-	1,504	1,370
- Other comprehensive income	-	2,386	-	-	2,386
- Insurance contract liabilities (Note 18(a))	-	65,620	-	-	65,620
Accretion of discounts	1,419	5,918	-	452	7,789
Amortisation of premiums	(415)	(9,056)	-	(123)	(9,594)
At 31 December 2010	595,758	3,494,040	274,918	268,625	4,633,341

8. Investments (continued)

Carrying values of financial instruments (continued)

Company	LAR RM'000
At 1 January 2009	-
Reclassification	31,435
At 1 January 2009, restated	31,435
Maturities	(10,634)
At 31 December 2009/1 January 2010, restated	20,801
Maturities	(20,801)
At 31 December 2010	-

Fair value of financial investments

The basis of estimation of fair values for financial instruments is as follows:

(a) The fair values of Malaysian government securities, Malaysian government guaranteed bonds, structured deposits and negotiable certificate of deposits are based on the indicative market prices;

(b) The fair values of quoted equity securities of corporations quoted in Malaysia, quoted bonds of corporations in Malaysia and quoted unit trusts in Malaysia are based on quoted closing market price as at the end of the reporting period;

(c) The fair values of quoted bonds of corporations in Malaysia is based on quoted closing market prices as at the end of the reporting period;

(d) The fair values of multilateral development bank guaranteed bonds and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions;

(e) The carrying amount of government guaranteed loans, commercial loans, policy loans, mortgage loans, automatic premium loans, other secured loans, other unsecured loans, and fixed and call deposits are assumed to approximate their fair values;

(f) The fair values of unquoted unit trusts 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; and

(g) The unquoted equity securities in and outside Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in the value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified.

Estimating the fair values of multilateral development bank guaranteed bonds and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions which involve projections of market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in the underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

9. Insurance receivables

Group	31.12.2010 RM'000	31.12.2009 RM'000
Current		
Due premiums including agents, brokers and co-insurers balances	88,537	135,929
Due from reinsurers and cedants	38,598	36,357
Group claims receivable	273	433
	127,408	172,719
Less: Allowance for doubtful debts	(33,442)	(39,360)
Due from related companies	6,198	8,358
	100,164	141,717

The amounts due from related companies are unsecured, interest free and repayable on demand.

10. Other receivables, deposits and prepayments

	Note	31.12.2010 RM'000	31.12.2009 RM'000
Group			
Non-current			
Other receivables, deposits and prepayments		7,570	6,200
Malaysian Institute of Insurance ("MII") bonds		590	590
Mortgage loans		5,704	6,123
		13,864	12,913
Current			
Other receivables, deposits and prepayments		33,976	20,991
Sundry deposits		1,470	1,381
Less: Allowance for doubtful debts		(3,605)	(3,691)
		31,841	18,681
Income due and accrued		46,577	38,420
Due from related companies		889	403
Due from inter-fund	15	26,237	12,844
Mortgage loans		1,189	995
		106,733	71,343
Company			
Non-current			
Other receivables, deposits and prepayments		422	631
Mortgage loans and staff loans		820	766
		1,242	1,397
Current			
Other receivables, deposits and prepayments		1,041	855
Income due and accrued		73	263
Due from subsidiaries		1,468	338
Due from related companies		-	379
Mortgage loans and staff loans		136	134
		2,718	1,969

The amounts due from subsidiaries and related companies are unsecured, interest free and repayable on demand.

10. Other receivables, deposits and prepayments (continued)

Estimation of fair value

The carrying amounts of mortgage loans and other secured loans are assumed to approximate their fair values as these are immaterial in the context of the financial statements.

The carrying amounts of other receivables approximate their fair values due to the relatively short term nature of these financial instruments.

11. Assets classified as held for sale

Group

The Group's general insurance subsidiary has entered into an agreement to sell certain property, plant and equipment and investment property to an external party.

As at 31 December 2010, the assets classified as held for sale are as follow:

	Note	31.12.2010 RM'000	31.12.2009 RM'000
Group			
Property, plant and equipment	11.1	1,740	-
Investment properties	11.2	700	-
		2,440	-
Company			
Property, plant and equipment	11.1	-	1,452

11.1 Property, plant and equipment

Property, plant and equipment held for sale comprise of the following:

	Group		Company	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
Freehold land				
Cost/carrying amount	440	-	-	750
Buildings				
Cost	1,810	-	-	750
Accumulated depreciation	(151)	-	-	(48)
Impairment loss recognised	(359)	-	-	-
Carrying amount	1,300	-	-	702
Total	1,740	-	-	1,452

11. Assets classified as held for sale (continued)

11.2 Investment properties

Investment properties held for sale comprise of the following:

Group/Company	Note	31.12.2010 RM'000	31.12.2009 RM'000
At fair value			
Buildings	6	700	-

12. Reinsurance assets

Group	31.12.2010 RM'000	31.12.2009 RM'000	1.1.2009 RM'000
Non-current			
Reinsurance of insurance contracts			
Claims liabilities	425,520	383,103	125,337
Actuarial liabilities	76,864	67,158	71,012
	502,384	450,261	196,349
Current			
Reinsurance of insurance contracts			
Claims liabilities	388,070	367,357	546,005
Premium liabilities	154,144	176,702	167,287
Actuarial liabilities	4,216	4,446	5,039
	546,430	548,505	718,331
Total	1,048,814	998,766	914,680

13. Benefits and claims liabilities

Group	31.12.2010 RM'000	31.12.2009 RM'000
Current		
Gross benefits and claims liabilities	68,852	42,716
Less: Recoverable from reinsurers	(9,307)	(5,557)
Net benefits and claims liabilities	59,545	37,159

14. Insurance payables

Group	Note	31.12.2010 RM'000	31.12.2009 RM'000
Non-current			
Performance bond deposits	14.2	16,589	17,683
Current			
Due to reinsurers and cedants		61,260	41,698
Due to agents, brokers, co-insurers and insurers		158,811	139,636
Due to related companies	14.1	6,879	19,094
Performance bond deposits		48,201	59,295
		275,151	259,723

The carrying amounts disclosed above approximate fair values at the end of the reporting period.

14. Insurance payables (continued)

14.1 Amounts due to related companies

The amounts due to related companies are unsecured, interest free and repayable on demand.

14.2 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

15. Other payables and accruals

	Note	31.12.2010 RM'000	31.12.2009 RM'000
Group			
Non-current			
Other payables and accrued expenses	15.2	49,817	37,365
Finance lease liabilities	15.3	104	783
		49,921	38,148
Current			
Finance lease liabilities	15.3	752	1,179
Other payables and accrued expenses	15.2	119,406	145,313
Due to immediate holding company	15.1	385	444
Due to shareholders' fund	10	26,237	12,844
Due to related companies	15.1	126	608
		146,906	160,388
Company			
Non-current			
Due to a subsidiary	15.1	133,205	133,205
Current			
Other payables and accrued expenses	15.2	1,523	23,617

The carrying amounts disclosed above approximate fair values at the end of the reporting period.

15.1 Amounts due to immediate holding company, subsidiaries and related companies

The amounts due to immediate holding company, subsidiaries and related companies are unsecured, interest free and repayable on demand.

15.2 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group (life fund) is an amount of RM61,428,000 (2009: RM45,826,000) relating to premium received in advance.

Included in other payables and accrued expenses (current) of the Group (life fund) is an amount of RM15,102,000 (2009: RM14,347,000) relating to premium deposits.

15. Other payables and accruals (continued)

15.2 Other payables and accrued expenses (continued)

In 2009, included in other payables (non-current) of the Company and the Group was an amount RM21,836,000 relating to a sum received by the Company as a stakeholder.

15.3 Finance lease liabilities

Group	Minimum lease payments 31.12.2010 RM'000	Interest 31.12.2010 RM'000	Principal 31.12.2010 RM'000
Less than one year	784	32	752
Between one and five years	110	6	104
	894	38	856

16. Subordinated loans

16.1 Subordinated loan from ultimate holding company - Group and Company

With the approval from the relevant authorities in 2007, a foreign currency credit facility denominated in Euro for an amount equivalent to RM490,000,000 was granted by the ultimate holding company, Allianz SE to the Company to enable the Company to acquire the entire equity interest in Commerce Assurance Berhad (now known as Bright Mission Berhad) ("the Acquisition") from Commerce International Group Berhad.

During the year, the Subordinated loan has been fully repaid in the following manner:

(a) a sum of RM458,565,120.24 was repaid by the Company to the ultimate holding company by way of a set-off against an equivalent amount of the total consideration for Allianz SE's entitled subscription of 144,202,868 New ICPS issued.

(b) the remaining outstanding sum of RM31,434,879.76 was repaid by the Company in cash.

16.2 Subordinated loans to subsidiaries - Company

Subordinated loan to Allianz General Insurance Company (Malaysia) Berhad

Subordinated loan I

On 1 July 2007, with the approval from BNM, the Company extended a RM14,000,000 subordinated loan to AGIC. The subordinated loan has no fixed tenure, interest free and cannot be repaid without prior approval from BNM.

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of the Subordinated loan I via the issuance and allotment of new ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to Subordinated loan I.

16. Subordinated loans (continued)

16.2 Subordinated loans to subsidiaries - Company (continued)

Subordinated loan to Allianz General Insurance Company (Malaysia) Berhad (continued)

Subordinated loan I (continued)

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the Subordinated loan I and the increase in issued and paid-up share capital of AGIC.

AGIC had on 4 June 2010 repaid the Subordinated loan I via issuance and allotment of 14,000,000 new ordinary shares of RM1.00 each by AGIC at par to the Company.

Subordinated loan II

The Subordinated loan II comprises:

a) Subordinated loan arising from Assets Purchase Agreement ("APA") dated 26 March 2009 of RM30,669,577, entered into between AGIC and the Company;

b) Subordinated loan arising from Master Subordinated Loan Agreement dated 26 March 2009 of RM19,784,796, entered into between AGIC and the Company.

The Master Subordinated Loan Agreement was in relation to the proposed disposal of 14 Sale and Purchase Agreements ("SPAs") of which 13 out of 14 SPAs have been completed during the financial year 2009 and the remaining 1 property was completed on 11 May 2010 with a total consideration of RM19,784,796 (2009: 13 out of 14 SPAs have been completed with a total consideration of RM18,332,669).

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of the subordinated loan via the issuance and allotment of new ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to the total sale consideration of the 14 properties. BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the subordinated loan and the increase in issued and paid-up capital of AGIC.

The Company had on 4 June 2010 repaid the sum of RM19,784,796.66 to AMB via the allotment and issuance of 19,784,796 new ordinary shares of RM1.00 each by the Company at par to AMB and the balance of RM0.66 was settled in cash by the Company to AMB.

The remaining portion of Subordinated loan II of RM30,669,577 (2009: RM30,669,577) was revalued to be at RM28,171,218 with the adoption of FRS 139.

Subordinated loan to Allianz Life Insurance Malaysia Berhad

On 20 December 2004, with the approval from BNM, the Company extended a RM3,600,000 subordinated loan to ALIM. The subordinated loan is for a period of 2 years, interest free and cannot be repaid without prior approval from BNM.

With the approval from BNM, the tenure of the subordinated loan was extended to 22 December 2006 and subsequently to 22 December 2008.

16. Subordinated loans (continued)

16.2 Subordinated loans to subsidiaries - Company (continued)

Subordinated loan to Allianz Life Insurance (Malaysia) Berhad (continued)

On 11 December 2009, the Company sought BNM's consideration for the proposed repayment of the subordinated loan via the issuance and allotment of new ordinary shares of RM1.00 each at par by ALIM to the Company for an amount equivalent to the subordinated loan.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the said subordinated loan and the increase in issued and paid-up capital of ALIM.

ALIM had on 4 June 2010 repaid the RM3,600,000 subordinated loan via issuance and allotment of 3,600,000 new ordinary shares of RM1.00 each by ALIM at par to the Company.

17. Deferred tax assets and liabilities

17.1 Deferred tax assets/(liabilities) are attributable to the following:

	Assets		Liabilities		Net	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009	31.12.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Property, plant and equipment	133	-	(5,983)	(6,055)	(5,850)	(6,055)
Intangible assets	-	-	(1,393)	(1,338)	(1,393)	(1,338)
Tax loss carry forward	-	2,371	-	-	-	2,371
Provisions	9,068	1,316	-	(81)	9,068	1,235
Fair value reserve of securities available-for-sale	116	-	(9,178)	-	(9,062)	-
Fair value movement to income statement	-	-	(1,116)	(983)	(1,116)	(983)
Tax assets/(liabilities)	9,317	3,687	(17,670)	(8,457)	(8,353)	(4,770)
Set off	(7,243)	(1,316)	7,243	1,316	-	-
Net tax assets/(liabilities)	2,074	2,371	(10,427)	(7,141)	(8,353)	(4,770)
Company						
Property, plant and equipment	-	-	(10)	(108)	(10)	(108)
Net tax liabilities	-	-	(10)	(108)	(10)	(108)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority.

17. Deferred tax assets and liabilities (continued)

17.2 Movement in temporary differences during the year:

	At 1.1.2009 RM'000	Recognised in income statement (Note 29) RM'000	Recognised in equity (Note 29) RM'000	At 31.12.2009 RM'000	Recognised in income statement (Note 29) RM'000	Recognised in equity (Note 29) RM'000	Recognised in insurance contract liabilities (Note 18) RM'000	At 31.12.2010 RM'000
Group								
Property, plant and equipment	(5,698)	(360)	3	(6,055)	205	-	-	(5,850)
Investment property	90	(90)	-	-	-	-	-	-
Intangible assets	(924)	(414)	-	(1,338)	(55)	-	-	(1,393)
Tax losses carry forward	6,373	(4,002)	-	2,371	(2,371)	-	-	-
Provisions	6,560	(5,325)	-	1,235	7,833	-	-	9,068
Fair value reserve of securities available-for-sale	-	-	-	-	-	(3,812)	(5,250)	(9,062)
Fair value movement to income statements	(70)	(913)	-	(983)	(133)	-	-	(1,116)
	6,331	(11,104)	3	(4,770)	5,479	(3,812)	(5,250)	(8,353)
Company								
Property, plant and equipment	(3,771)	2,567	1,096	(108)	(4)	102	-	(10)
Investment property	69	(69)	-	-	-	-	-	-
	(3,702)	2,498	1,096	(108)	(4)	102	-	(10)

18. Insurance contract liabilities

Group		31.12.2010			31.12.2009			1.1.2009		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Life insurance	(a)	2,857,967	(81,080)	2,776,887	2,262,348	(71,604)	2,190,744	1,764,198	(76,051)	1,688,147
General insurance	(b)	2,161,314	(967,734)	1,193,580	1,978,580	(927,162)	1,051,418	1,842,256	(838,629)	1,003,627
		5,019,281	(1,048,814)	3,970,467	4,240,928	(998,766)	3,242,162	3,606,454	(914,680)	2,691,774

The non-current gross insurance contract liabilities amounts to RM2,033,555,000 (2009: RM1,577,432,000) and the non-current reinsurance contract liabilities amounts to RM502,384,000 (2009: RM450,261,000).

18. Insurance contract liabilities (continued)

(a) Life insurance

Life insurance contract liabilities consist of:

	31.12.2010			31.12.2009			1.1.2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Actuarial liabilities	2,107,457	(81,080)	2,026,377	1,645,957	(71,604)	1,574,353	1,235,057	(76,051)	1,159,006
Unallocated surplus	414,303	-	414,303	348,416	-	348,416	299,981	-	299,981
Available-for-sale fair value reserves	60,370	-	60,370	-	-	-	-	-	-
Net assets value attributable to unitholders	274,875	-	274,875	267,013	-	267,013	228,198	-	228,198
Asset revaluation reserve	962	-	962	962	-	962	962	-	962
	2,857,967	(81,080)	2,776,887	2,262,348	(71,604)	2,190,744	1,764,198	(76,051)	1,688,147

	← Gross		→	← Reinsurance		→	
	With DPF	Without DPF	Total	With DPF	Without DPF	Total	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2009	987,788	776,410	1,764,198	(4,567)	(71,484)	(76,051)	1,688,147
Premiums received (Note 22)	487,360	381,367	868,727	(8,658)	(47,120)	(55,778)	812,949
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(57,379)	(123,882)	(181,261)	5,850	24,730	30,580	(150,681)
Benefits and claims experience variation	23,089	21,143	44,232	4,182	(16,728)	(12,546)	31,686
Fees deducted	(170,970)	(116,150)	(287,120)	918	7,350	8,268	(278,852)
Credit of interest or change in unit-prices	3,457	-	3,457	-	-	-	3,457
Adjustments due to changes in assumptions	-	(45,223)	(45,223)	-	33,923	33,923	(11,300)
Net asset value attributable to unitholders	-	46,903	46,903	-	-	-	46,903
Unallocated surplus	22,840	25,595	48,435	-	-	-	48,435
At 31December 2009/ At 1 January 2010	1,296,185	966,163	2,262,348	(2,275)	(69,329)	(71,604)	2,190,744
Premiums received (Note 22)	509,309	520,150	1,029,459	(8,586)	(55,561)	(64,147)	965,312
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(61,451)	(220,733)	(282,184)	5,922	39,167	45,089	(237,095)
Benefits and claims experience variation	21,126	(38,557)	(17,431)	1,274	18,189	19,463	2,032
Fees deducted	(139,313)	(188,153)	(327,466)	1,511	5,987	7,498	(319,968)
Credit of interest or change in unit-prices	4,894	-	4,894	-	-	-	4,894
Adjustments due to changes in assumptions	(1,903)	37,755	35,852	-	(17,379)	(17,379)	18,473
Net asset value attributable to unitholders	-	26,238	26,238	-	-	-	26,238
Available-for-sale fair value reserves	50,504	15,116	65,620	-	-	-	65,620
Unallocated surplus	40,122	25,765	65,887	-	-	-	65,887
Deferred tax effects: Available-for-sale fair value reserves	(4,040)	(1,210)	(5,250)	-	-	-	(5,250)
At 31 December 2010	1,715,433	1,142,534	2,857,967	(2,154)	(78,926)	(81,080)	2,776,887

18. Insurance contract liabilities (continued)

(b) General insurance

General insurance contract liabilities consist of:

		31.12.2010			31.12.2009			1.1.2009		
		Gross	Reinsurance	Net	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for claims reported by Policyholders		1,227,631	(658,994)	568,637	1,106,461	(608,904)	497,557	992,741	(541,186)	451,555
Provision for incurred but not reported claims		368,545	(154,596)	213,949	335,853	(141,556)	194,297	314,140	(117,503)	196,637
Provision for outstanding claims	18.1	1,596,176	(813,590)	782,586	1,442,314	(750,460)	691,854	1,306,881	(658,689)	648,192
Provision for unearned premiums	18.2	565,138	(154,144)	410,994	536,266	(176,702)	359,564	535,375	(179,940)	355,435
		2,161,314	(967,734)	1,193,580	1,978,580	(927,162)	1,051,418	1,842,256	(838,629)	1,003,627

18.1 Provision for outstanding claims

	31.12.2010			31.12.2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	1,442,314	(750,460)	691,854	1,306,881	(658,689)	648,192
Claims incurred in the current accident year	927,982	(349,931)	578,051	891,605	(374,799)	516,806
Other movements in claims incurred in prior accident years	(84,474)	54,501	(29,973)	(176,109)	115,597	(60,512)
Claims paid during the year (Note27)	(689,646)	232,300	(457,346)	(580,063)	167,431	(412,632)
At 31 December	1,596,176	(813,590)	782,586	1,442,314	(750,460)	691,854

18.2 Provision for unearned premiums

	31.12.2010			31.12.2009		
	Gross	Reinsurance	Net	Gross	Reinsurance	Net
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	536,266	(176,702)	359,564	535,375	(179,940)	355,435
Premiums written in the year (Note 22)	1,324,282	(401,431)	922,851	1,202,390	(414,615)	787,775
Premiums earned during the year	(1,295,410)	423,989	(871,421)	(1,201,499)	417,853	(783,646)
At 31 December	565,138	(154,144)	410,994	536,266	(176,702)	359,564

19. Share capital

Group/Company	31.12.2010 Number of shares ('000)	31.12.2010 RM'000	31.12.2009 Number of shares ('000)	31.12.2009 RM'000
Authorised:				
Ordinary shares of RM1 each				
As at 1 January	200,000	200,000	200,000	200,000
Created during the year	400,000	400,000	-	-
As at 31 December	600,000	600,000	200,000	200,000
Irredeemable Convertible Preference Shares of RM1 each				
As at 1 January	-	-	-	-
Created during the year	400,000	400,000	-	-
As at 31 December	400,000	400,000	-	-
Issued and paid-up:				
Ordinary shares of RM1each				
As at 1 January/31 December	153,869	153,869	153,869	153,869
Irredeemable Convertible Preference Shares of RM1 each				
As at 1 January	-	-	-	-
Issued during the year	192,337	192,337	-	-
As at 31 December	192,337	192,337	-	-

20. Reserves

	Note	31.12.2010 RM'000	31.12.2009 RM'000
Group			
Share premium	20.1	424,823	5,529
Asset revaluation reserve	20.2	5,355	5,397
Retained earnings		471,781	339,948
Fair value reserve	20.4	11,436	-
At 31 December		913,395	350,874
Company			
Share premium	20.1	424,823	5,529
Asset revaluation reserve	20.2	-	412
Retained earnings		221,215	222,415
At 31 December		646,038	228,356

20.1 Share premium

Group/Company	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January	5,529	5,529
Issuance of ICPS	419,294	-
At 31 December	424,823	5,529

20. Reserves (continued)

20.2 Asset revaluation reserve

The revaluation reserve relates to the revaluation of owner occupied properties for the general business and shareholder's fund.

Owner occupied properties are stated at valuation based on revaluation conducted by independent professional qualified valuers using the comparison and investment methods.

	Group		Company	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January	5,397	5,684	412	5,595
Disposal of land and building	(42)	(290)	(514)	(6,279)
Effect of deferred tax	-	3	102	1,096
At 31 December	5,355	5,397	-	412

20.3 Section 108 tax credit

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank in full all of its retained earnings at 31 December 2010 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2007 will be available to the Company until such time the credit is fully utilised or upon expiring of the six years transitional period on 31 December 2013, whichever is earlier.

20.4 Fair value reserve

Group	31.12.2010 RM'000	31.12.2009 RM'000
Fair value reserve		
At 1 January	-	-
Effect of adopting the fair value measurement on securities available-for-sale	9,669	-
At 1 January, restated	9,669	-
Net gain arising from change in fair value of securities available-for-sale	1,767	-
At 31 December	11,436	-

21. Operating revenue

	Note	2010 RM'000	2009 RM'000
Group			
Gross earned premiums	22	2,324,869	2,070,226
Investment income	23	184,168	151,391
		2,509,037	2,221,617
Company			
Investment income	23	2,265	1,200

22. Net earned premiums

Group	Note	2010 RM'000	.2009 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	18 (a)	1,029,459	868,727
General	18.2	1,324,282	1,202,390
		2,353,741	2,071,117
Changes in unearned premium provision			
Life		-	-
General		(28,872)	(891)
Gross earned premiums		2,324,869	2,070,226
(b) Premiums ceded			
Insurance contracts:			
Life	18 (a)	(64,147)	(55,778)
General	18.2	(401,431)	(414,615)
		(465,578)	(470,393)
Changes in unearned premium provision			
Life		-	-
General		(22,558)	(3,238)
Premiums ceded to reinsurers		(488,136)	(473,631)
Net earned premiums		1,836,733	1,596,595

23. Investment income

Group	2010 RM'000	2009 RM'000
Rental from investment property	186	128
Rental from property, plant and equipments	62	116
Held for trading financial assets		
Coupon income from:		
- Malaysian government securities	308	581
- Multilateral development bank guaranteed bonds	1	-
- Government guaranteed loan	47	-
- Quoted bonds of corporations in Malaysia	25	29
- Unquoted bonds of corporations in Malaysia	2,779	3,312
- Commercial loans	10	13
Dividend income from:		
- Quoted equity securities in Malaysia	3,334	2,284
- Quoted unit trusts in Malaysia	1,595	2,275
Interest income from financial institutions:		
- Negotiable certificate of deposits	1,089	1,167
- Structured deposits	126	110
Accretion of discounts on:		
- Malaysian government securities	56	2
- Quoted bonds of corporations in Malaysia	54	34
- Unquoted bonds of corporations in Malaysia	342	721
Amortisation of premiums on:		
- Malaysian government securities	(20)	(88)
- Unquoted bonds of corporations in Malaysia	(96)	(216)
- Negotiable certificate of deposits	(7)	(8)

23. Investment income (continued)

Group (continued)	2010 RM'000	2009 RM'000
Available-for-sale financial assets		
Coupon income from:		
- Malaysian government securities	46,387	53,688
- Malaysian government guaranteed bonds	7,384	5,100
- Multilateral development bank guaranteed bonds	8,212	6,625
- Quoted bonds in Malaysia	674	193
- Unquoted bonds in Malaysia	56,710	47,555
- Negotiable certificate of deposits	1,620	325
Dividend income from:		
- Quoted equity securities in Malaysia	4,474	1,478
- Unquoted equity securities in Malaysia	-	32
- Quoted unit trusts in Malaysia	1,056	32
- Unquoted unit trusts in Malaysia	8	8
Accretion of discounts on:		
- Malaysian government securities	349	939
- Malaysian government guaranteed bonds	1,364	1,998
- Multilateral development bank guaranteed bonds	127	62
- Quoted bonds in Malaysia	221	41
- Unquoted bonds in Malaysia	3,667	1,037
Amortisation of premiums on:		
- Malaysian government securities	(6,875)	(5,098)
- Malaysian government guaranteed bonds	(12)	-
- Multilateral development bank guaranteed bonds	(57)	(19)
- Unquoted bonds of corporations in Malaysia	(1,546)	(907)
- Negotiable certificate of deposits	(369)	(369)
Interest income from financial institutions:		
- Negotiable certificate of deposits	949	949
- Structured deposits	2,891	2,925
Held to maturity financial assets		
Coupon income from:		
- Malaysian government securities	14,014	11,188
- Malaysian government guaranteed bonds	5,801	423
- Multilateral development bank guaranteed bonds	3,949	510
Accretion of discounts on:		
- Malaysian government securities	589	57
- Malaysian government guaranteed bonds	463	248
- Multilateral development bank guaranteed bonds	367	11
Amortisation of premiums on:		
- Malaysian government securities	(111)	(68)
- Multilateral development bank guaranteed bonds	(255)	(3)
- Government guaranteed bonds	(50)	-
Loans and receivables		
Interest income from:		
- Government guaranteed loan	4,218	-
- Commercial loans	1,007	1,311
- Mortgage loans	(3)	12
- Policy loans	642	504
- Automatic premium loans	3,037	2,359

23. Investment income (continued)

Group (continued)	2010 RM'000	2009 RM'000
Loans and receivables (continued)		
Interest income from financial institutions:		
- Fixed deposits	7,780	3,222
- Bank balances	5,595	4,563
	184,168	151,391
Company		
Loans and receivables		
Interest income from financial institutions:		
- Fixed deposits	2,265	1,200

24. Realised gains and losses

Group	2010 RM'000	2009 RM'000
Property, plant and equipment		
Realised gains	131	164
Financial assets		
Realised gains:		
- Quoted equity securities of corporations in Malaysia	34,301	25,492
- Quoted unit trusts in Malaysia	75	-
- Malaysian government securities	8,201	1,130
- Quoted bonds of corporations	1,058	86
- Unquoted bonds of corporations	20	1,856
- Unquoted debts securities in Malaysia	65	143
- Quoted debts securities in Malaysia	64	-
Realised losses:		
- Quoted unit trusts in Malaysia	-	(1,871)
- Quoted unit trusts outside Malaysia	(2,270)	(7,411)
- Unquoted bonds of corporations	(34)	-
Total realised gains for financial assets	41,480	19,425
Total realised gains	41,611	19,589
Company		
Property, plant and equipment		
Realised gains	-	39

25. Fair value gains and losses

Group	Note	2010 RM'000	2009 RM'000
Investment properties	6	(220)	30
Financial assets held for trading		1,370	23,679
Total fair value gains on financial assets		1,150	23,709

26. Fee and commission income

Group	2010 RM'000	2009 RM'000
Policyholder administration, investment management and service charges	23,336	22,775
Deferred acquisition cost	3,230	(2,652)
Reinsurance commission income	58,143	58,535
Total fee and commission income	84,709	78,658

27. Net benefits and claims

Group	Note	2010 RM'000	2009 RM'000
(a) Gross benefits and claims paid			
Insurance contracts:			
Life	18(a)	(282,184)	(181,261)
General	18.1	(689,646)	(580,063)
		(971,830)	(761,324)
(b) Claims ceded to reinsurers			
Insurance contracts:			
Life	18(a)	45,089	30,580
General	18.1	232,300	167,431
		277,389	198,011
(c) Gross change to contract liabilities			
Insurance contracts:			
Life		(535,249)	(498,150)
General		(153,862)	(135,433)
		(689,111)	(633,583)
(d) Change in contract liabilities ceded to reinsurers			
Insurance contracts:			
Life		9,476	(4,447)
General		63,130	91,771
		72,606	87,324
Net benefits and claims		(1,310,946)	(1,109,572)

28. Management expenses

Group	Note	2010 RM'000	2009 RM'000
Employee benefits expense	28.1	127,070	125,469
Non-executive directors' fee and remuneration		1,023	1,082
Auditors' remuneration:			
- statutory audits		565	540
- other services		10	10
Depreciation of property, plant and equipment	3	10,210	9,951
Amortisation of intangible assets	4	11,202	10,918
Write back of allowance for doubtful debts		(1,063)	(11,241)
Bad debts written off		2,951	9,500
Advertising and marketing expenses		3,226	12,083
Bank charges		6,953	6,002
Levies		88	104
Rental of premises:			
- Third parties		6,774	6,489
Other expenses		61,156	52,628
Rental of office equipment		107	102
Insurance guarantee scheme fund and levies		2,504	2,178
Bad debts recovered		(122)	(180)
		232,654	225,635
Company			
Employee benefits expense	28.1	286	225
Non-executive directors' fee and remuneration		492	450
Auditors' remuneration:			
- statutory audits		125	125
- other services		10	10
Depreciation of property, plant and equipment	3	261	173
Advertising and marketing expenses		1	1
Bank charges		-	5
Rental of premises to third party		33	27
Other expenses		940	283
Rental of office equipment		3	8
		2,151	1,307

28.1 Employee benefits expenses

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Wages and salaries	96,922	100,489	253	225
Social security contributions	767	734	-	-
Contributions to Employee's Provident Fund	13,027	12,593	33	-
Other benefits	16,354	11,653	-	-
	127,070	125,469	286	225

28. Management expenses (continued)

28.2 Key management personnel compensation

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Executive directors:				
Salaries and other emoluments	3,961	1,762	156	108
Bonus	2,339	1,140	141	53
Contribution to Employee's Provident Fund	367	184	27	4
Estimated money value of benefits-in-kind	520	1,805	49	177
	7,187	4,891	373	342
Non-executive:				
Fees	605	644	214	214
Estimated money value of benefits-in-kind	418	438	278	236
	1,023	1,082	492	450
Other key management personnel*				
Short-term employee benefits	7,725	8,919	154	375

* Other key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

The number of executive and non-executive directors whose total remuneration received during the year falls within the following bands is:

	Number of directors			
	Group		Company	
	2010	2009	2010	2009
Executive directors:				
Below RM1,000,000	3	4	2	2
RM1,000,000 and above	2	1	-	-
Non-executive directors:				
Below RM50,000	2	2	2	2
RM50,000 - RM100,000	8	8	2	2
RM200,001 - RM300,000	1	1	1	1

28.3 Chief executive officer remuneration:

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Salaries and other emoluments	3,465	1,308	101	77
Bonus	1,905	710	94	40
Contribution to Employee's Provident Fund	246	102	13	-
Estimated money value of benefits-in-kind	506	1,779	48	175
	6,122	3,899	256	292

29. Tax expense

29.1 Recognised in the income statements

		Group		Company	
	Note	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Current tax expense					
Current year		58,955	49,050	-	57
Under/(over)provision in prior years		8,874	(2,042)	202	237
		67,829	47,008	202	294
Deferred tax expense					
Origination and reversal of temporary differences		4,201	10,729	4	8
Effect from the transfer of assets		-	-	-	(2,506)
(Over)/underprovision in prior years		(9,680)	375	-	-
	17.2	(5,479)	11,104	4	(2,498)
Tax expense		62,350	58,112	206	(2,204)

29.2 Recognised directly in other comprehensive income

	Group		Company	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Fair value reserve				
At 1 January	-	-	-	-
Change in accounting policy:				
Effect of adopting the fair value measurement for securities available-for-sale	3,193	-	-	-
At 1 January, restated	3,193	-	-	-
Net gain arising from change in fair value	619	-	-	-
At 31 December	3,812	-	-	-
Asset revaluation reserve				
At 1 January	1,107	1,110	102	1,198
Disposal of property	-	(3)	(102)	(1,096)
At 31 December	1,107	1,107	-	102

29.3 Recognised in insurance contract liabilities

Group	2010 RM'000	2009 RM'000
Available-for-sale fair value reserves		
At 1 January	-	-
Change in accounting policy:		
Effect of adopting the fair value measurement for securities available-for-sale	754	-
At 1 January, restated	754	-
Net gain arising from change in fair value	4,496	-
At 31 December	5,250	-

29. Tax expense (continued)

29.4 Reconciliation of tax expense

Group	2010 RM'000	2009 RM'000
Profit before tax	191,550	176,969
Tax at Malaysian tax rate of 25%	47,887	44,242
Life fund assessable investment income	10,568	9,561
Tax rate differential of 17% in respect of life fund	(1,375)	(1,776)
Income not subject to tax	(294)	-
Expenses not deductible for tax purposes	6,322	7,700
Other items	48	52
Overprovision in prior years	(806)	(1,667)
Tax expense	62,350	58,112
Company		
Loss before tax	(49)	(302)
Taxation at Malaysian statutory rate of 25%	(12)	(76)
Income not subject to tax	(298)	-
Expenses not deductible for tax purposes	95	105
Other items	219	(2,470)
	4	(2,441)
Underprovision in prior years	202	237
Tax expense	206	(2,204)

The income of the general business and shareholders' fund is taxed at 25%. The income tax provided in the Life fund for the current financial year and previous financial year is in respect of investment income which is taxed at a reduced tax rate of 8% applicable for life insurance business and 25% on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967.

30. Earnings per ordinary share

a) Basic earnings per share

The calculation of basic earnings per ordinary share at 31 December 2010 was based on the profit attributable to ordinary shareholders of RM129,200,000 (2009: RM118,857,000) and the number of ordinary shares outstanding during the year of 153,869,238 (2009: 153,869,238).

	2010 RM'000	2009 RM'000
Profit attributable to ordinary shareholders	129,200	118,857
Weighted average number of shares in issue	153,869	153,869
Basic earnings per ordinary share (sen)	83.97	77.25

b) Diluted earnings per share

The calculation of diluted earnings per ordinary share at 31 December 2010 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

	2010 RM'000	2009 RM'000
Profit attributable to ordinary shareholders	129,200	118,857
Weighted average number of shares in issue, including bonus element	177,672	153,869
Effect of conversion of ICPS	79,042	-
Diluted weighted average number of ordinary shares at 31 December	256,714	153,869
Diluted earnings per ordinary share (sen)	50.33	77.25

31. Dividends

Dividends recognised in the current year by the Company are:

	Sen per share (net of tax)	Total amount RM'000	Date of payment
2010			
Final 2009 ordinary	1.50	2,308	3 August 2010
2009			
Final 2008 ordinary	1.50	2,308	3 August 2009

After the end of the reporting period, the following dividend was proposed by the Directors. This dividend will be recognised in subsequent financial reports upon approval by the shareholders.

	Sen per share (net of tax)	Total amount RM'000
Final 2010 ordinary	2.63	4,036
Final 2010 preference	4.20	8,078

32. Operating leases

32.1 Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

Group	2010 RM'000	2009 RM'000
Less than one year	5,606	6,486
Between one and five years	8,375	5,040
	13,981	11,526

The leases typically run for an initial period of three years, with an option to renew the leases. None of the leases include contingent rentals.

32.2 Leases as lessor

The Group leases out its investment property under operating leases (see Note 6). The future minimum lease receipts under non-cancellable leases are as follows:

Group	2010 RM'000	2009 RM'000
Less than one year	81	96
Between one and five years	32	80
	113	176

33. Capital expenditure commitments

Group	2010 RM'000	2009 RM'000
Property, plant and equipment:		
Approved but not contracted for	17,051	7,250
Contracted but not provided for	4,769	5,310

34. Investment-linked business

Investment-linked fund statement of financial position
As at 31 December

Group	31.12.2010 RM'000	31.12.2009 RM'000
Assets		
Investments	249,586	212,767
Other receivables, deposits and prepayments	7,274	1,869
Cash and cash equivalents	30,492	53,735
Total assets	287,352	268,371
Liabilities		
Deferred tax liabilities	1,102	982
Other financial liabilities	-	7
Other payables and accruals	124	139
Benefits and claims liabilities	11,247	230
Current tax liabilities	2	-
Total liabilities	12,475	1,358
Net asset value of funds	274,877	267,013

34. Investment-linked business (continued)

Investment-linked fund income statement
As at 31 December

Group	2010 RM'000	2009 RM'000
Investment income	9,415	10,216
Realised gains and losses	20,927	18,847
Fair value gains and losses	1,320	23,679
Other operating income	2,895	14
Other operating expenses	(5,874)	(2,730)
Profit before tax	28,683	50,026
Tax expense	(2,445)	(3,123)
Net profit for the year	26,238	46,903

35. Segment information

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is 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, who is the Group's chief operating decision maker.

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.

Segmental capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

35.1 Business segments

The Group comprises the following main business segments:

Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance business

35. Segment information (continued)

35.2 Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

Business segments 2010	Investment holding RM'000	General business and shareholders' fund RM'000	Life business RM'000	Consolidated RM'000
Segment revenue	6,706	1,362,853	1,139,478	2,509,037
Segment results	2,661	162,512	26,377	191,550
Profit before tax				191,550
Tax expense				(62,350)
Profit for the year				129,200
Segment assets	281,784	3,430,901	3,134,432	6,847,117
Segment liabilities	8,589	2,444,495	3,134,432	5,587,516
Capital expenditure	893	5,212	2,852	8,957
Depreciation of property, plant and equipment	809	7,722	1,679	10,210
Amortisation of intangible assets	-	11,157	45	11,202
Write back of doubtful debts	-	(730)	(333)	(1,063)
Amortisation of premiums	21	5,595	3,978	9,594
Accretion of discounts	-	(2,776)	(5,013)	(7,789)
2009				
Segment revenue	4,679	1,259,831	957,107	2,221,617
Segment results	2,042	152,479	22,448	176,969
Profit before tax				176,969
Tax expense				(58,112)
Profit for the year				118,857
Segment assets	210,269	3,079,203	2,476,397	5,765,869
Segment liabilities	519,118	2,265,611	2,476,397	5,261,126
Capital expenditure	1,666	10,623	1,573	13,862
Depreciation of property, plant and equipment	721	7,428	1,802	9,951
Amortisation of intangible assets	-	10,665	253	10,918
Write back of doubtful debts	-	(11,268)	27	(11,241)
Amortisation of premiums	36	3,881	3,369	7,286
Accretion of discounts	-	(1,188)	(4,156)	(5,344)

36. Related parties

36.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

36. Related parties (continued)

36.1 Identity of related parties (continued)

Key management personnel are 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. The key management personnel include all the Directors of the Group and the Company, and certain members of senior management of the Group and the Company. Compensation of key management personnel have been disclosed in Note 28.2. Apart from this, there are no other transactions with key management personnel.

36.2 The significant transactions and balances with related parties are as follows:

Group	2010		2009	
	Transaction amounts RM'000	Balance outstanding RM'000	Transaction amounts RM'000	Balance outstanding RM'000
Trade				
Ultimate holding company				
Reinsurance premium	(186)	-	(12)	-
Related company				
Reinsurance premium and commission	(145,160)	(670)	(128,877)	(10,735)
Insurance premium	-	-	473	-
Motor insurance premium	(130)	-	(80)	-
Non-trade				
Ultimate holding company				
Group equity incentive	(16)	-	(54)	-
Payment of IT service costs	(138)	-	(117)	-
Reimbursement of personnel expenses	(109)	-	(416)	-
Payment of global marketing expenses	(1,052)	-	(834)	-
Payment of E-learning	(109)	-	-	-
Subordinated loan	(490,000)	-	-	(490,000)
Related companies				
Payment of telemarketing fee	(1,252)	-	(2,134)	-
Investment in foreign unit trust	-	-	(10,000)	-
Payment of fund management and fees	(1,131)	-	(594)	-
Reimbursement of other expenses	80	-	285	-
Reimbursement of payment made on behalf	(554)	-	(33)	-
Reimbursement of personnel expenses	(195)	-	(131)	-
Reimbursement of personal expenses for secondment staffs	206	-	-	-
Rental expenses	(121)	-	(3,077)	-
Rental income	90	-	130	-
Insurance payment	(196)	-	(444)	-
Payment of intranet portal network cost	(417)	-	(306)	-
Payment of risk survey fee	(10)	-	-	-

36. Related parties (continued)

36.2 The significant transactions and balances with related parties are as follows (continued):

Company	2010		2009	
	Transaction amounts RM'000	Balance outstanding RM'000	Transaction amounts RM'000	Balance outstanding RM'000
Non-trade				
Holding company				
Reimbursement of personnel expenses	-	-	(277)	-
Subordinated loan	490,000	-	-	(490,000)
Subsidiaries				
Rental of other premises	(30)	-	817	-
Reimbursement of expenses related to common resources	7,512	616	7,499	581
Subordinated loans	38,431	(28,171)	(66,602)	(66,602)
Advances	-	(133,205)	133,205	(133,205)

37. Risk management framework

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is therefore an integrated part of the Group's business processes. In order to protect the assets of the Group, the Group has established a Group-wide risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This comprehensive 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 at an early stage.

The Allianz risk management framework consists of the following four primary components:

Risk underwriting and identification

A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets forms the foundation for adequate risk taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

Risk evaluation, reporting and controlling

The Group's comprehensive qualitative and quantitative risk reporting and controlling framework provides transparency and early warning indicators to senior management with regards to its overall risk profile as well as to whether or not the profile is within delegated limits and authorities.

Risk strategy and risk appetite

The Group's risk strategy clearly defines its risk appetite. It ensures that rewards 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 processes. This also keeps risk strategy and business objectives consistent with each other and allows the Group to take opportunities within its risk tolerance.

37. Risk management framework (continued)

Communication and transparency

Finally, a transparent and robust risk disclosure framework 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 Risk Management Committee (the "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 Risk Management Working Committee ("RMWC"), the RMC will consolidate the status of the risks and present them to the Board for consideration.

RMWC serves as a platform for two way communications between the management and the Board on matters of the Group's risk management framework and its strategies. RMWC is responsible for formulating risk management strategies, policies and risk tolerance for RMC's review and onward transmission of recommendation to the Board. It determines allocation of risks by cascading and/or elevating to the relevant owners. From there, it conducts reviews on the allocated risk from time to time. It also oversees the compliance of all risk management process by all departments of the Group. It provides a risk decision taking and/or recommendation framework to ensure timely reaction to early warning related to risk issues and pre-emptive mitigation.

Governance and regulatory framework

The Group is required to comply with the requirements of the Insurance Act, relevant laws and guidelines from BNM, Life Insurance Association Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Bursa Securities Malaysia Berhad.

The Group is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the stricter will applies.

Capital management - regulatory capital

The Risk Based Capital Framework came into effect on 1 January 2009. Under the RBC framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level determined by BNM. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The insurance subsidiaries of the Group have met their regulatory requirements.

38. Insurance risk

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims and their 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 underwriting risks 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.

38.1 Life insurance contracts

The insurance risk of Life insurance contracts consists of mortality/longevity and calamity risks. Mortality/longevity 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 life insurance contract liabilities with DPF and without DPF by type of contract.

Group	Gross			Reinsurance			
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	Net RM'000
31 December 2010							
Whole life	946,918	118,379	1,065,297	-	(14,192)	(14,192)	1,051,105
Endowment	335,448	238,613	574,061	-	(1,091)	(1,091)	572,970
Mortgage	-	133,648	133,648	-	(56,216)	(56,216)	77,432
Riders and others	241,173	93,278	334,451	(2,154)	(7,427)	(9,581)	324,870
Total	1,523,539	583,918	2,107,457	(2,154)	(78,926)	(81,080)	2,026,377
31 December 2009							
Whole life	702,304	76,023	778,327	-	(7,536)	(7,536)	770,791
Endowment	268,457	189,238	457,695	-	(576)	(576)	457,119
Mortgage	-	120,736	120,736	-	(56,466)	(56,466)	64,270
Riders and others	220,113	69,086	289,199	(2,275)	(4,751)	(7,026)	282,173
Total	1,190,874	455,083	1,645,957	(2,275)	(69,329)	(71,604)	1,574,353

The entire life insurance business is conducted in Malaysia. Life insurance business does not contain investment contract.

Key assumptions

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions used are based on past experience, 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 and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

38. Insurance risk (continued)

38.1 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 risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

  For investment-linked contracts, it is assumed that the subsidiary will be able to increase mortality risk charges in future years in line with emerging mortality experience.

  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.

- Longevity
  The subsidiary is not exposed to longevity risk.

- Expenses
  Pricing allowable expense is used as the expense assumption to estimate the liabilities. 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, and compared to the actual expense that the subsidiary incurred.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Lapse and surrender rates
  Experience study on lapse and surrender rates is carried out on an annual basis using statistical method. Lapse and surrender rates vary by product type, distribution channel and policy duration.

  An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- Discount rate
  In the valuation of the total benefits insurance liabilities of participating life policies, the subsidiary has assumed a long term gross rate of return of 4.50% - 6.50% per annum. The long term gross rate of return is derived based on a basket of strategic asset allocations. The subsidiary calculates long term gross rate by assuming each asset class will earn the targeted yield. The strategic asset allocation and targeted yield are reviewed annually in accordance to the subsidiary's investment philosophy, market condition and the prevailing long term market return for each asset class.

38. Insurance risk (continued)

38.1 Life insurance contracts (continued)

Key assumptions (continued)

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows: (continued)

- Discount rate (continued)
  In accordance to BNM/RH CIR 003-19: Temporary Flexibility for Life Insurers Under the Risk-Based Capital Framework for Insurers, the weighted average Malaysian Government Securities 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.

The assumptions that have significant effects on the gross insurance contract liabilities and reinsurance assets are listed below.

	Mortality and morbidity rates[(1)]		Lapse and surrender rate		Discount rate	
	2010 %	2009 %	2010 %	2009 %	2010 %	2009 %
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	70-80	70-100	3-30	3-30	4.50 - 6.50	4.50 - 6.50
Without DPF contracts						
Life insurance	70-150	70-150	3-35	3-35	Weighted MGS yield	Weighted MGS yield

(1) Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003

Sensitivities

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities and profit before tax. 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. Sensitivity information will also vary according to the current economic assumptions.

38. Insurance risk (continued)

38.1 Life insurance contracts (continued)

Sensitivities (continued)

	Change in assumptions %	Impact on profit before tax# RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
Life insurance contracts				
31 December 2010				
Mortality	+5%	-	16,052	12,912
Discount rate	-0.5%	(15,000)	240,121	229,534
Expenses	+10%	-	25,899	22,896
Lapse and surrender rates	-10%	-	25,859	25,593
31 December 2009				
Mortality	+5%	-	17,717	13,663
Discount rate	-0.5%	-	191,597	184,924
Expenses	+10%	-	26,903	23,678
Lapse and surrender rates	-10%	-	25,784	24,167

The method used and significant assumptions made for deriving sensitivity information did not change from the previous period.

The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In respect of Life fund, it would affect the insurance contract liabilities and correspondingly the surplus available for transfer from life insurance fund to shareholders' fund.

* The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

38.2 General insurance contracts

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risks represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been definitely settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

38. Insurance risk (continued)

38.2 General insurance contracts (continued)

The table below sets out the concentration of the general insurance risk as at the end of the reporting period by type of contract.

	31.12.2010			31.12.2009		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	172,082	(117,867)	54,215	251,030	(196,920)	54,110
Motor	627,580	(59,056)	568,524	559,573	(71,891)	487,682
Marine cargo, aviation cargo and transit	203,234	(181,877)	21,357	161,396	(139,827)	21,569
Miscellaneous	593,280	(454,790)	138,490	470,315	(341,822)	128,493
Total	1,596,176	(813,590)	782,586	1,442,314	(750,460)	691,854

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 claims costs, claims handling cost and claims 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 for the provisions for unexpired risks and insurance claims at the minimum 75% of sufficiency, according to the requirement set by Bank Negara Malaysia under the RBC Framework.

Sensitivities

The independent actuarial firm engaged by the subsidiary re-runs its valuation models on various bases. 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.

38. Insurance risk (continued)

38.2 General insurance contracts (continued)

Sensitivities (continued)

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
31 December 2010					
Average claim cost	+10%	152,401	74,311	(74,311)	(55,733)
Average number of claims	+10%	155,776	96,114	(96,114)	(72,085)
Average claim settlement period	Increased by 6 months	30,183	14,698	(14,698)	(11,024)
31 December 2009					
Average claim cost	+10%	124,531	66,359	(66,359)	(49,769)
Average number of claims	+10%	139,678	90,477	(90,477)	(67,858)
Average claim settlement period	Increased by 6 months	24,664	13,143	(13,143)	(9,857)

* Impact on equity reflects adjustments for tax, where applicable.

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 total claims outstanding as of 31 December 2010 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

38. Insurance risk (continued)

38.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance contract liabilities for 2010:

Group	Before 2003 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year										
At end of accident year	-	415,412	454,981	396,675	458,967	803,927	713,814	891,605	927,982	-
One year later	-	435,186	505,306	440,946	590,452	714,786	620,414	822,926	-	-
Two years later	-	425,834	463,428	511,483	574,627	671,939	623,649	-	-	-
Three years later	-	418,270	488,598	493,546	557,711	673,597	-	-	-	-
Four years later	-	423,724	483,627	486,373	558,000	-	-	-	-	-
Five years later	-	422,708	477,659	486,693	-	-	-	-	-	-
Six years later	-	418,013	473,983	-	-	-	-	-	-	-
Seven years later	-	416,289	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	416,289	473,983	486,693	558,000	673,597	623,649	822,926	927,982	-
At end of accident year	-	156,864	145,693	171,799	173,028	202,481	183,848	250,248	214,460	-
One year later	-	303,954	329,065	312,208	365,770	378,908	366,451	565,497	-	-
Two years later	-	351,162	360,368	348,788	420,153	447,535	445,223	-	-	-
Three years later	-	370,017	387,466	379,649	451,648	482,778	-	-	-	-
Four years later	-	378,397	404,171	402,374	470,711	-	-	-	-	-
Five years later	-	386,035	412,476	415,267	-	-	-	-	-	-
Six years later	-	391,887	427,621	-	-	-	-	-	-	-
Seven years later	-	383,714	-	-	-	-	-	-	-	-
Cumulative payments to-date	-	383,714	427,621	415,267	470,711	482,778	445,223	565,497	214,460	-
Gross general insurance contract liabilities	18,328	32,575	46,362	71,426	87,289	190,819	178,426	257,429	713,522	1,596,176

38. Insurance risk (continued)

38.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance contract liabilities for 2010:

Group	Before 2003 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	2010 RM'000	Total RM'000
Accident year										
At end of accident year	-	296,867	307,213	328,056	376,869	448,280	458,017	516,806	578,051	-
One year later	-	275,753	306,556	321,692	388,947	410,175	438,935	483,710	-	-
Two years later	-	277,102	299,947	330,831	378,316	402,660	440,225	-	-	-
Three years later	-	275,955	308,197	322,115	367,380	403,299	-	-	-	-
Four years later	-	270,655	306,549	313,288	367,415	-	-	-	-	-
Five years later	-	269,596	300,879	313,983	-	-	-	-	-	-
Six years later	-	265,721	298,553	-	-	-	-	-	-	-
Seven years later	-	270,003	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	270,003	298,553	313,983	367,415	403,299	440,225	483,710	578,051	-
At end of accident year	-	118,023	121,478	123,658	151,133	150,994	165,070	191,803	188,247	-
One year later	-	207,131	221,125	228,893	271,228	275,172	302,313	343,484	-	-
Two years later	-	228,742	242,202	254,287	291,736	306,459	350,112	-	-	-
Three years later	-	238,012	258,735	268,988	312,530	333,465	-	-	-	-
Four years later	-	244,351	268,727	282,380	328,164	-	-	-	-	-
Five years later	-	249,289	276,060	291,273	-	-	-	-	-	-
Six years later	-	254,302	285,685	-	-	-	-	-	-	-
Seven years later	-	259,825	-	-	-	-	-	-	-	-
Cumulative payments to-date	-	259,825	285,685	291,273	328,164	333,465	350,112	343,484	188,247	-
Net general insurance contract liabilities	7,602	10,178	12,868	22,710	39,251	69,834	90,113	140,226	389,804	782,586

38. Insurance risk (continued)

38.2 General insurance contracts (continued)

Claims development table (continued)

Gross general insurance contract liabilities for 2009:

Group	Before 2002 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	Total RM'000
Accident year										
At end of accident year	-	237,888	415,412	454,981	396,675	458,967	803,927	713,814	891,605	-
One year later	-	319,333	435,186	505,306	440,946	590,452	714,786	620,414	-	-
Two years later	-	310,649	425,834	463,428	511,483	574,627	671,939	-	-	-
Three years later	-	310,049	418,270	488,598	493,546	557,711	-	-	-	-
Four years later	-	303,164	423,724	483,627	486,373	-	-	-	-	-
Five years later	-	300,465	422,708	477,659	-	-	-	-	-	-
Six years later	-	299,781	418,014	-	-	-	-	-	-	-
Seven years later	-	307,471	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	307,471	418,014	477,659	486,373	557,711	671,939	620,414	891,605	-
At end of accident year	-	96,033	159,864	145,693	171,799	173,028	202,481	183,848	250,248	-
One year later	-	219,329	303,954	329,065	312,208	365,770	378,908	366,451	-	-
Two years later	-	250,631	351,162	360,368	348,788	420,153	447,535	-	-	-
Three years later	-	263,757	370,017	387,466	379,649	451,648	-	-	-	-
Four years later	-	272,287	378,397	404,171	402,374	-	-	-	-	-
Five years later	-	278,530	386,035	412,476	-	-	-	-	-	-
Six years later	-	280,664	391,887	-	-	-	-	-	-	-
Seven years later	-	285,421	-	-	-	-	-	-	-	-
Cumulative payments to-date	-	285,421	391,887	412,476	402,374	451,648	447,535	366,451	250,248	-
Gross general insurance contract liabilities	19,168	22,050	26,127	65,183	83,999	106,063	224,404	253,963	641,357	1,442,314

38. Insurance risk (continued)

38.2 General insurance contracts (continued)

Claims development table (continued)

Net general insurance contract liabilities for 2009:

Group	Before 2002 RM'000	2002 RM'000	2003 RM'000	2004 RM'000	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000	Total RM'000
Accident year										
At end of accident year	-	197,719	296,867	307,213	328,056	376,869	448,280	458,017	516,806	-
One year later	-	186,464	275,753	306,556	321,692	388,947	410,175	438,935	-	-
Two years later	-	180,730	277,102	299,947	330,831	378,316	402,660	-	-	-
Three years later	-	181,044	275,955	308,197	322,115	367,380	-	-	-	-
Four years later	-	178,159	270,655	306,549	313,288	-	-	-	-	-
Five years later	-	176,897	269,596	300,879	-	-	-	-	-	-
Six years later	-	176,596	265,721	-	-	-	-	-	-	-
Seven years later	-	178,385	-	-	-	-	-	-	-	-
Current estimate of cumulative claims incurred	-	178,385	265,721	300,879	313,288	367,380	402,660	438,935	516,806	-
At end of accident year	-	65,512	118,023	121,478	123,658	151,133	150,994	165,070	191,803	-
One year later	-	135,755	207,131	221,125	228,893	271,228	275,172	305,313	-	-
Two years later	-	149,682	228,742	242,202	254,287	291,736	306,459	-	-	-
Three years later	-	157,468	238,012	258,735	268,988	312,530	-	-	-	-
Four years later	-	161,631	244,351	268,727	282,380	-	-	-	-	-
Five years later	-	165,375	249,289	276,060	-	-	-	-	-	-
Six years later	-	167,178	254,302	-	-	-	-	-	-	-
Seven years later	-	170,967	-	-	-	-	-	-	-	-
Cumulative payments to-date	-	170,967	254,302	276,060	282,380	312,530	306,459	305,313	191,803	-
Net general insurance contract liabilities	7,614	7,418	11,419	24,819	30,908	54,850	96,201	133,622	325,003	691,854

39. Financial risk

39.1 Credit risk

Credit risk involves the potential losses that may result due to the default of counterparties to meet their contractual obligations. The Group is exposed to credit risk from the underwriting of insurance business and the investment in fixed income instruments. Financial loss may materialise when the counterparty fails 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 ongoing basis. Reinsurance is prioritised to local insurers or reinsurers, and if the Group has to place overseas, only counterparties that have a credit rating that is acceptable to Allianz SE Group are used.

39. Financial risk (continued)

39.1 Credit risk (continued)

With effect from 12 September 2008, all bond investments must carry a minimum rating of AA- or P1 by rating agencies established in Malaysia or a minimum rating of A- by any internationally recognised rating agency as outlined in the Group's Investment Mandate which is approved by the Board of Directors.

The Group considers rating BBB and above as investment grades and ratings below BBB as non-investment grade. Assets which are not rated by rating agencies are classified as non-rated.

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the Group's credit ratings of counterparties.

Group	Neither past-due nor impaired				
	Investment grade* RM'000	Not rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Total RM'000
31 December 2010					
HTM financial investments					
Malaysian government securities	-	351,683	-	-	351,683
Malaysian government guaranteed bonds	-	126,098	-	-	126,098
Multilateral development bank guaranteed bonds	78,781	39,196	-	-	117,977
LAR					
Debts securities	5,524	195,098	-	-	200,622
Loans	-	54,156	-	-	54,156
Fixed and call deposits	20,140	-	-	-	20,140
AFS financial investments					
Malaysian government securities	50,962	1,207,124	-	-	1,258,086
Malaysian government guaranteed bonds	-	240,908	-	-	240,908
Multilateral development bank guaranteed bonds	207,566	14,996	-	-	222,562
Debt securities	1,380,866	-	-	-	1,380,866
Negotiable certificate of deposits and structured deposits	35,775	74,602	-	-	110,377
HFT financial investments					
Malaysian government securities	-	4,041	3,594	-	7,635
Multilateral development bank guaranteed bonds	1,506	-	3,512	-	5,018
Debt securities	8,577	2,001	60,049	-	70,627
Negotiable certificate of deposits and structured deposits	-	-	29,577	-	29,577
Reinsurance assets	168,934	879,880	-	-	1,048,814
Insurance receivables	4,948	86,912	-	8,304	100,164
Cash and cash equivalents	462,869	1,394	30,492	-	494,755
	2,426,448	3,278,089	127,224	8,304	5,840,065

* Investment grade is defined as investment with rating BBB and above.

39. Financial risk (continued)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Group	Neither past-due nor impaired				
	Investment grade* RM'000	Not rated RM'000	Unit-linked RM'000	Past-due but not impaired RM'000	Total RM'000
31 December 2009					
HTM financial investments					
Malaysian government securities	-	280,698	-	-	280,698
Malaysian government guaranteed bonds	-	93,054	-	-	93,054
Multilateral development bank guaranteed bonds	23,545	49,321	-	-	72,866
LAR					
Debts securities	7,345	9,436	-	-	16,781
Loans	-	43,609	-	-	43,609
Fixed and call deposits	53,580	-	-	-	53,580
AFS financial investments					
Malaysian government securities	-	1,376,230	-	-	1,376,230
Malaysian government guaranteed bonds	-	141,488	-	-	141,488
Multilateral development bank guaranteed bonds	84,089	15,048	-	-	99,137
Debt securities	998,325	4,113	-	-	1,002,438
Negotiable certificate of deposits and structured deposits	35,101	69,600	-	-	104,701
HFT financial investments					
Malaysian government securities	-	-	15,688	-	15,688
Debt securities	-	-	53,966	-	53,966
Negotiable certificate of deposits and structured deposits	-	-	6,947	-	6,947
Reinsurance assets	182,304	816,462	-	-	998,766
Insurance receivables	3,916	136,330	-	1,471	141,717
Cash and cash equivalents	435,093	1,437	53,735	-	490,265
	1,823,298	3,036,826	130,336	1,471	4,991,931

* Investment grade is defined as investment with rating BBB and above.

The table below provides information regarding the credit risk exposure of the Group by classifying assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade.

39. Financial risk (continued)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Unit-linked RM'000	Total RM'000
31 December 2010							
HTM financial investments							
Malaysian government securities	-	-	-	-	351,683	-	351,683
Malaysian government guaranteed bonds	-	-	-	-	126,098	-	126,098
Multilateral development bank guaranteed bonds	78,781	-	-	-	39,196	-	117,977
LAR							
Debts securities	551	2,763	2,210	-	195,098	-	200,622
Loans	-	-	-	-	54,156	-	54,156
Fixed and call deposits	20,140	-	-	-	-	-	20,140
AFS financial investments							
Malaysian government securities	50,962	-	-	-	1,207,124	-	1,258,086
Malaysian government guaranteed bonds	-	-	-	-	240,908	-	240,908
Multilateral development bank guaranteed bonds	207,566	-	-	-	14,996	-	222,562
Debt securities	439,987	839,025	96,971	4,883	-	-	1,380,866
Negotiable certificate of deposits and structured deposits	35,775	-	-	-	74,602	-	110,377
HFT financial investments							
Malaysian government securities	-	-	-	-	4,041	3,594	7,635
Multilateral development bank guaranteed bonds	1,506	-	-	-	-	3,512	5,018
Debt securities	1,000	7,577	-	-	2,001	60,049	70,627
Negotiable certificate of deposits and structured deposits	-	-	-	-	-	29,577	29,577
Reinsurance assets	767	36,763	129,924	1,480	879,880	-	1,048,814
Insurance receivables	48	589	4,139	172	95,216	-	100,164
Cash and cash equivalents	319,489	94,674	48,706	-	1,394	30,492	494,755
	1,156,572	981,391	281,950	6,535	3,286,393	127,224	5,840,065
31 December 2009							
HTM financial investments							
Malaysian government securities	-	-	-	-	280,698	-	280,698
Malaysian government guaranteed bonds	-	-	-	-	93,054	-	93,054
Multilateral development bank guaranteed bonds	23,545	-	-	-	49,321	-	72,866
LAR							
Debt securities	734	3,673	2,938	-	9,436	-	16,781
Loans	-	-	-	-	43,609	-	43,609
Fixed and call deposits	53,580	-	-	-	-	-	53,580
AFS financial investments							
Malaysian government securities	-	-	-	-	1,376,230	-	1,376,230
Malaysian government guaranteed bonds	-	-	-	-	141,488	-	141,488
Multilateral development bank guaranteed bonds	84,089	-	-	-	15,048	-	99,137
Debt securities	482,904	421,078	84,926	9,417	4,113	-	1,002,438
Negotiable certificate of deposits and structured deposits	35,101	-	-	-	69,600	-	104,701

39. Financial risk (continued)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Unit-linked RM'000	Total RM'000
31 December 2009 (continued)							
HFT financial investments							
Malaysian government securities	-	-	-	-	-	15,688	15,688
Debt securities	-	-	-	-	-	53,966	53,966
Negotiable certificate of deposits and structured deposits	-	-	-	-	-	6,947	6,947
Reinsurance assets	1,304	10,789	170,145	66	816,462	-	998,766
Insurance receivables	3	59	3,846	8	137,801	-	141,717
Cash and cash equivalents	324,123	86,894	24,076	-	1,437	53,735	490,265
	1,005,383	522,493	285,931	9,491	3,038,297	130,336	4,991,931

The table below provides information regarding the credit risk exposure of the Group according to the Group's categorisation of counterparties by credit rating agencies' credit rating.

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Not rated RM'000	Unit-linked RM'000	Total RM'000
31 December 2010							
Investment grade	1,156,572	981,391	281,950	6,535	-	123,501	2,549,949
Not rated	-	-	-	-	3,278,089	3,723	3,281,812
Past-due but not impaired	-	-	-	-	8,304	-	8,304
	1,156,572	981,391	281,950	6,535	3,286,393	127,224	5,840,065
31 December 2009							
Investment grade	1,005,383	522,493	285,931	9,491	-	114,479	1,937,777
Not rated	-	-	-	-	3,036,826	15,857	3,052,683
Past-due but not impaired	-	-	-	-	1,471	-	1,471
	1,005,383	522,493	285,931	9,491	3,038,297	130,336	4,991,931

The Group has not provided the credit risk analysis for the financial assets of the unit-linked business. This is due to the fact that, in unit-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.

During the year, no credit exposure limits were exceeded.

The Group actively manages its product mix to ensure that there is no significant concentration of credit risk.

39. Financial risk (continued)

39.1 Credit risk (continued)

Age analysis of financial assets past-due but not impaired

Group	<30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	91 to 180 days RM'000	Unit-linked RM'000	Total RM'000
31 December 2010						
Insurance receivables	7,340	844	-	120	-	8,304
31 December 2009						
Insurance receivables	1,471	-	-	-	-	1,471

Impaired financial assets

As at 31 December 2010, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM33,442,000 (2009: RM39,360,000) and other receivables of RM3,605,000 (2009: RM3,691,000) respectively. No collateral is held as security for any past due or impaired assets. The Group records impaired allowance for loans and receivables and insurance receivables in separate Allowance for Doubtful Debts accounts. A reconciliation of the allowance for impairment losses for other receivables and insurance receivables is as follows:

Group	Insurance receivables		Other receivables	
	31.12.2010 RM'000	31.12.2009 RM'000	31.12.2010 RM'000	31.12.2009 RM'000
At 1 January, as previously stated	39,360	50,655	3,691	3,637
Effect of adoption of FRS 139	(4,941)	-	-	-
At 1 January, restated	34,419	50,655	3,691	3,637
(Recoveries)/allowances	(977)	(11,295)	(86)	54
At 31 December	33,442	39,360	3,605	3,691

39.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Group and the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Group and the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a significant portion of liquid assets in the portfolio. Some other tools used by the Group and the Company include to ensure 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.

39. Financial risk (continued)

39.2 Liquidity risk (continued)

Maturity profiles

The table below summarises the maturity profile of financial liabilities of the Group and the Company based on remaining undiscounted contractual obligations including interest/profit payable and receivable.

For insurance contracts liabilities, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Unearned premiums and the reinsurers' share of unearned premiums have been excluded from the analysis as they are not contractual obligations.

Unit linked 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.

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
31 December 2010								
Insurance contract liabilities								
With DPF	1,715,433	(39,989)	(452,448)	(16,457)	1,921,606	5,369,122	-	6,781,834
Without DPF	3,303,848	1,896,753	595,951	185,782	332,597	588,750	-	3,599,833
Other financial liabilities	3,595	2,013	1,582	-	-	-	-	3,595
Insurance payables	291,740	275,151	16,589	-	-	-	-	291,740
Other payables and accruals	196,827	146,904	49,924	-	-	-	-	196,828
Benefits and claims liabilities	59,545	59,545	-	-	-	-	-	59,545
Total liabilities	5,570,988	2,340,377	211,598	169,325	2,254,203	5,957,872	-	10,933,375
31 December 2009								
Insurance contract liabilities								
With DPF	1,296,185	(64,987)	(368,361)	(66,951)	1,653,600	3,790,135	-	4,943,436
Without DPF	2,944,743	1,769,546	462,025	143,318	393,348	583,196	-	3,351,433
Other financial liabilities	3,796	2,099	1,697	-	-	-	-	3,796
Insurance payables	277,406	259,724	15,929	1,753	-	-	-	277,406
Other payables and accruals	198,536	160,388	38,148	-	-	-	-	198,536
Benefits and claims liabilities	37,159	37,159	-	-	-	-	-	37,159
Subordinated loans	490,000	-	490,000	-	-	-	-	490,000
Total liabilities	5,247,825	2,163,929	639,438	78,120	2,046,948	4,373,331	-	9,301,766

39. Financial risk (continued)

39.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to the net worth of subsidiary companies or participations. This includes changes in market prices due to a 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 is actively monitoring the investment activities undertaken by the Group.
- The Investment Policy and Mandate which formulated the single counter limits, group 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.
- Perform stress test as and when needed.
- Stop loss policy is in place.

The Group also issues unit-linked investment policies in a number of products. In the unit-linked business, the policyholders bear the investment risk on the assets held in the unit-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 asset management charges is based on the value of the assets in the funds.

39.4 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 and the Company's primary transactions are carried out in Ringgit Malaysia (RM). 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 Insurance Act, 1996 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.

39. Financial risk (continued)

39.4 Currency risk (continued)

All currency risk in unit-linked funds is borne by policyholders.

Group Denominated in	Financial Assets RM'000	Unit-linked RM'000
31 December 2010		
USD	10,897	19,105
HKD	15,911	-
AUD	-	26,920
31 December 2009		
USD	10,311	24,689
HKD	-	-

39.5 Interest rate/Profit yield risk

The Group and the Company are affected by changes in market interest rate due to the impact of such changes on interest income from investments and will incur an economic loss when the interest rates drop since the duration of policy liabilities is generally longer than the duration of the fixed income financial assets.

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.

The analysis below is performed for reasonable possible movements in interest rate with all other variables held constant, showing the impact on the profit before tax, statement of comprehensive income, equity and insurance contract liabilities.

Group Life insurance contracts:	Change in variables	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
31 December 2010				
Interest rate	+100 basis points	(15,000)	(17,111)	(69,314)
Interest rate	+200 basis points	(15,000)	(22,506)	(130,713)
31 December 2009				
Interest rate	+100 basis points	-	(5,105)	(65,888)
Interest rate	+200 basis points	-	(9,826)	(126,562)

39. Financial risk (continued)

39.5 Interest rate/Profit yield risk (continued)

The above illustration is only prepared for adverse scenario, where interest rate is being raised. The impact on profit would be dependent on whether the interests risk reside in shareholders' fund or life insurance fund and where the interests risk reside in shareholders' fund, the impact will be directly to profit and equity of the Group. In respect of Life fund, it would affect the insurance contract liabilities and correspondingly surplus available for transfer from life insurance fund to shareholders' fund. The above sensitivity test would yield proxy results if interest rate 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.

Group General insurance contracts:	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000
31 December 2010			
Interest rate	+100 basis points	-	(35,193)
Interest rate	+50 basis points	-	(17,596)
31 December 2009			
Interest rate	+100 basis points	-	(22,820)
Interest rate	+50 basis points	-	(11,410)

* Impact on equity reflects adjustments for tax, where applicable.

39.6 Price risk

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 interest rate or currency risk), 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 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 unit-linked business.

The Group's 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 price risk.

39. Financial risk (continued)

39.6 Price risk (continued)

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on Profit Before Tax ("PBT") (due to changes in fair value of financial assets and liabilities whose changes in fair values are recorded in Profit or Loss) and Equity (that reflects adjustments to PBT and changes in fair value of AFS financial assets). The correlation of variables will have a significant effect in determining the ultimate impact on 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.

Group		31 December 2010			31 December 2009		
	Changes in variable	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
Market value	-10%	-	-	(40,828)	-	-	(19,203)
Market value	-20%	(15,000)	(11,250)	(81,655)	-	-	(38,405)

The above illustration is only prepared for adverse scenario, where market price is being moved in an unfavourable direction. The impact on profit would be dependent on whether the change in market price risk resides in shareholders' fund or life insurance fund and where the change in market price resides in shareholders' fund, the impact will be directly to profit and equity of the Company. In respect of Life fund, it would affect the insurance contract liabilities and correspondingly surplus available for transfer from life insurance fund to shareholders' fund. The above sensitivity test would yield proxy results if market price were to move in the opposite direction, with the Company.

* 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.

39.7 Operational risk

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Group's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

The Group puts in place the following controls to monitor and mitigate such risk:
- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training;
- Evaluation procedures such as internal audit.

40. Significant events during the year

40.1 Transfer of property, plant and equipment to Allianz General Insurance Company (Malaysia) Berhad

In year 2009, the Board of Directors of the Company approved the disposal of 14 properties and assets from the Company to its wholly-owned subsidiary, AGIC.

The following agreements were entered into between the Company and AGIC:

(i) 10 Sale and Purchase Agreements ("SPAs") dated 26 March 2009 and 4 SPAs dated 13 April 2009 for the disposal of 14 properties from the Company to AGIC;

(ii) an Assets Purchase Agreement ("APA") dated 26 March 2009 for the disposal of certain assets from the Company to AGIC; and

(iii) a Master Subordinated Loan Agreement dated 26 March 2009 in relation to the final sale consideration of the above mentioned 14 properties.

The APA was completed on 1 April 2009 with a sale consideration of RM30,669,577. The 13 SPAs in relation to the disposal of 13 properties in East and West Malaysia were completed during the financial year 2009 and the remaining disposal of 1 property was completed on 11 May 2010, pursuant to the terms and conditions of their respective SPAs with a total sale consideration of RM19,784,796.66.

The instruments of transfer for the 14 properties have been successfully presented at the respective land offices following the approval of exemption of stamp duty on the said instruments by the relevant authority during the financial year 2010 and all the said 14 properties have been duly registered in the name of AGIC.

On 11 December 2009, the Company sought Bank Negara Malaysia ("BNM")'s consideration for the proposed repayment of subordinated loan via the issuance and allotment of ordinary shares of RM1.00 each at par by AGIC to the Company for an amount equivalent to the total sale consideration of the 14 properties.

BNM had on 18 January 2010 approved the Company's application for the proposed repayment of the said subordinated loan and the increase in issued and paid-up share capital of AGIC.

Accordingly, the said subordinated loan was repaid via the allotment and issuance of 19,784,796 new ordinary shares of RM1.00 each at par by AGIC to the Company on 4 June 2010, whilst the balance of RM0.66 was settled in cash by AGIC to AMB.

40.2 Renounceable Rights Issue of 192,336,547 ICPS of RM1.00 each

During the year, the Company has undertaken a renounceable rights issue of 192,336,547 ICPS on the basis of 125 ICPS for every 100 ordinary shares of RM1.00 each in AMB ("AMB Share(s)") held as at 5.00 p.m. on 8 July 2010 at an issue price of RM3.18 per ICPS ("Rights Issue") for the purposes of repaying the RM490 million credit facility granted by Allianz SE to the Company ("Credit Facility") in 2007 for the acquisition of the entire equity interest in Commerce Assurance Berhad (now known as Bright Mission Berhad) and to increase the capital base of AGIC and Allianz Life Insurance Malaysia Berhad ("ALIM") to enable each of them to meet their respective capital requirements under the Risk-Based Capital Framework for Insurers issued by BNM.

40. Significant events during the year (continued)

40.2 Renounceable Rights Issue of 192,336,547 ICPS of RM1.00 each (continued)

The Rights Issue has been completed following the listing and quotation of 192,336,547 ICPS on the Official List of Bursa Securities on 6 August 2010.

Following the completion of the Rights Issue, the total amount outstanding under the Credit Facility was fully repaid by the Company in the following manner:

(a) a sum of RM458,565,120 was repaid by the Company to Allianz SE by way of a set-off against an equivalent amount of the total consideration for Allianz SE's entitled subscription of 144,202,868 ICPS under the Rights Issue on 4 August 2010.

(b) The remaining outstanding sum of RM31,434,880 was repaid by the Company in cash to Allianz SE on 6 August 2010.

40.3 Proposed acquisition of equity interest in Takaful Ikhlas Sdn. Bhd. by the Company ("Proposed Acquisition")

On 20 December 2010, the Company announced to Bursa Securities that BNM has via its letter dated 17 December 2010 granted approval to the Company to commence negotiation with MNRB Holdings Berhad ("MNRB") on the Proposed Acquisition.

The negotiation between the Company and MNRB is currently in progress.

41. Significant changes in accounting policies

FRS 8, Operating Segments

As of 1 January 2010, the Group determines and presents operating segments based on the information that internally is provided to the Chief Executive Officer, who is the Group's chief operating decision maker. This change in accounting policy is due to the adoption of FRS 8. Previously, operating segments were determined and presented in accordance with FRS 114_{2004}, Segment Reporting.

FRS 101 (revised), Presentation of Financial Statements

The adoption of FRS 101 (revised) effective for the financial year ended 31 December 2010 resulted in the following:

(i) income statements for the year ended 31 December 2009 have been re-presented as two statements, namely income statement and statement of comprehensive income. All non-owner changes in equity that were presented in the statement of changes in equity are now included in the statement of comprehensive income as other comprehensive income. Consequently, components of comprehensive income are not presented in the statement of changes in equity; and

(ii) a statement of financial position at the beginning of the earliest comparative period, i.e. 1 January 2009 have been included following the change in the comparative figures for 31 December 2009 to conform with current year's presentation.

41. Significant changes in accounting policies (continued)

FRS 117, Leases

The Group has adopted the amendments to FRS 117. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment. The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

FRS 139, Financial Instruments: Recognition and Measurement

The adoption of FRS 139 has resulted in changes to accounting policies relating to classification and measurement of financial assets of the Group and of the Company. The accounting policies relating to these financial instruments change from 1 January 2010 were disclosed in Note 2.7.

FRS 139 is applied prospectively upon first application of the standard, following the transitional provisions of the said standard. The financial impact of adopting FRS 139 to the financial assets of the Group and of the Company is as follows:

	Fair value reserves 2010 RM'000	Retained earnings 2010 RM'000
Group		
At 1 January, as previously stated	-	339,948
Adjustments arising from adoption of FRS 139:		
- Fair valuation of equity securities classified as available-for-sale	9,669	-
- Impairment of insurance receivables	-	4,941
At 1 January, as restated	9,669	344,889
Company		
At 1 January, as previously stated	-	222,415
Adjustments arising from adoption of FRS 139:		
- Remeasurement of intercompany loan	-	849
At 1 January, as restated	-	223,264

42. Comparatives

The following comparative figures as at 31 December 2009 have been reclassified to conform with current year's presentation arising from the adoption of the FRS 4, FRS 117 and FRS 139:

Group	As restated RM'000	As previously stated RM'000
Statement of financial position		
Non-current assets		
Property, plants and equipment	95,587	85,777
Prepaid lease payments	-	9,810
Other receivables, deposits and prepayments	12,913	5,928
Loans	-	6,220
Placements with financial institutions	-	107,518
Investments	503,054	-
Reinsurance assets	450,261	-
Current assets		
Investments	3,082,858	3,377,074
Loans	-	44,505
Other receivables, deposits and prepayments	71,343	71,210
Current tax assets	5,102	5,276
Deferred acquisition costs	39,400	-
Reinsurance assets	548,505	-
Placements with financial institutions	-	540,347
Cash and cash equivalents	490,265	7,628
Non-current liabilities		
Insurance contract liabilities	1,577,432	-
Other financial liabilities	1,697	-
Other payables and accruals	38,148	39,842
Life policyholders' fund	-	2,189,781
Life assets revaluation reserves	-	962
Current liabilities		
Insurance premium reserves	-	320,163
Insurance contract liabilities	2,663,496	-
Other financial liabilities	2,099	-
Insurance claims liabilities	-	691,854
Insurance payables	259,723	261,815
Other payables and accruals	160,388	160,395
Current tax liabilities	6,160	6,337

Prior to the adoption of FRS 4, income and expenses from reinsurance contracts are offset against the income or expenses from the related insurance contracts for disclosure purposes. Following the adoption of FRS 4, the income and expenses from reinsurance contracts are presented on gross basis. The income statement for the year ended 31 December 2009 has been restated to comply with the requirements of FRS 4.

43. Supplementary information on the breakdown of realised and unrealised profit or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2010, into realised and unrealised profits, pursuant to the directive, is as follows:

	Group 31.12.2010 RM'000	Company 31.12.2010 RM'000
Total retained earnings of Allianz Malaysia Berhad and its subsidiaries:		
- Realised	468,170	221,205
- Unrealised	3,611	10
Less: Consolidation adjustments	-	-
Total retained earnings	471,781	221,215

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profit or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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ALLIANZ MALAYSIA BERHAD (12428-W)
(Incorporated in Malaysia)

FORM OF PROXY

Number of Shares Held	
CDS Account No.	

I/We *(name of shareholder)* ____________________

NRIC No./Passport No./Company No. ____________________ (new) ____________________ (old)

of *(full address)* ____________________

being a member of ALLIANZ MALAYSIA BERHAD, hereby appoint *(name of proxy/proxies)* ____________________

NRIC No./Passport No. ____________________ of *(full address)* ____________________

____

or failing him/her, ____________________ NRIC No./Passport No. ____________________

of *(full address)* ____________________

____

as my/our proxy to attend and vote for me/us on my/our behalf at the 37th Annual General Meeting of the Company to be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Thursday, 23 June 2011 at 10.00 a.m. and at any adjournment thereof.

NO.	RESOLUTIONS	FOR	AGAINST
1	Receipt of Audited Financial Statements for the financial year ended 31 December 2010 and the Reports of the Directors and Auditors thereon		
2	Declaration of a first and final dividend		
3	Approval of payment of Directors' fees		
4	Re-election of Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar as Director		
5	Re-election of Mr. Jens Reisch as Director		
6	Re-appointment of Y. Bhg. Tan Sri Razali Ismail as Director		
7	Re-appointment of Messrs KPMG as Auditors and authority to the Directors to fix the Auditors' remuneration		
Special Business			
8	Proposed Renewal of Shareholders' Mandate		

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.

As witness my/our hand this ____________________ day of ____________________ 2011.

Contact No.	

____
Signature of shareholder/common seal

Representation at Meeting

1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) proxies to attend and vote instead of him. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.
2. A proxy may but need not be a member of the Company and Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
3. A member who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. The instrument appointing a proxy/proxies must be in writing under the hand of the appointor or his attorney. If the appointor is a corporation, under its common seal or the hand of its attorney.
5. The instrument of proxy shall be deposited at the Registered Office of the Company at Suite 3A-15, Level 15, Block 3A, Plaza Sentral, Jalan Stesen Sentral 5, Kuala Lumpur Sentral, 50470 Kuala Lumpur not later than forty-eight (48) hours before the appointed time for holding the Annual General Meeting.

Note to Holders of Irredeemable Convertible Preference Share ("ICPS")

The holders of the ICPS shall entitle to attend the 37th Annual General Meeting but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 71 of this Annual Report.

Affix Stamp

Allianz Malaysia Berhad **(12428-W)**

Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur

Attention : The Company Secretary

Allianz Malaysia Berhad (12428-W)
Suite 3A-15, Level 15, Block 3A
Plaza Sentral, Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
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