

Sharing  
real stories  
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**Allianz Malaysia Berhad** (12428-W)  
Annual Report 2012

**Allianz** 

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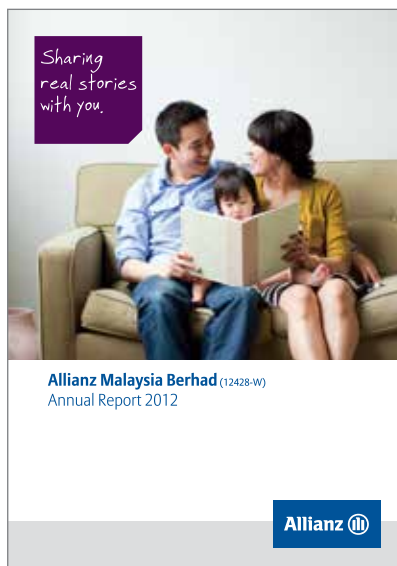
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## Form of Proxy



## COVER RATIONALE

Our new campaign is about being more customer-centric and ensuring greater market orientation. This campaign brings us to ground level, where we communicate with real people, share real stories and provide real advice and knowledge. This year's Annual Report concept takes heed of our new positioning and presents a more human story – a story where all of us can relate to.



For more information visit  
[www.allianz.com.my](http://www.allianz.com.my)



This Annual Report is printed on 100% recycled paper.

# 2012 Key Figures

Operating Revenue

**RM3,147.60**  
million

Gross Written Premium

**RM2,983.52**  
million

Profit Before Tax

**RM297.78**  
million

Total Assets

**RM9,190.49**  
million

Shareholders' Fund

**RM1,840.79**  
million

Market Capitalisation

**RM2,435.12**  
million

Basic Earnings per Ordinary Share

**132.21**  
sen

Dividend per Ordinary Share

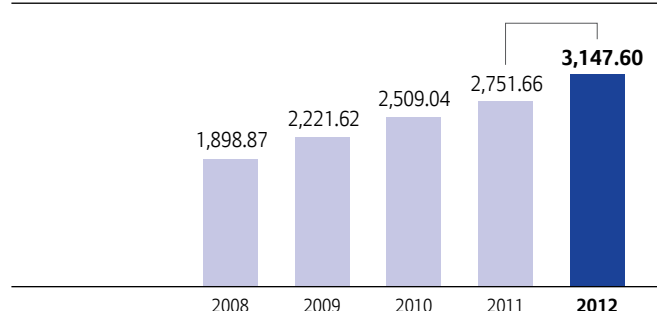
**6.50**  
sen

# Allianz at a Glance

## Operating Revenue

RM million

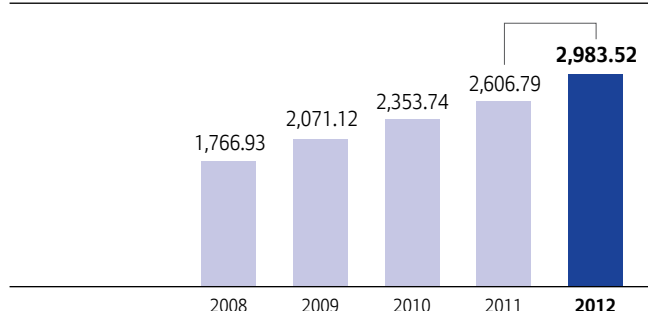
+14.4%



## Gross Written Premium

RM million

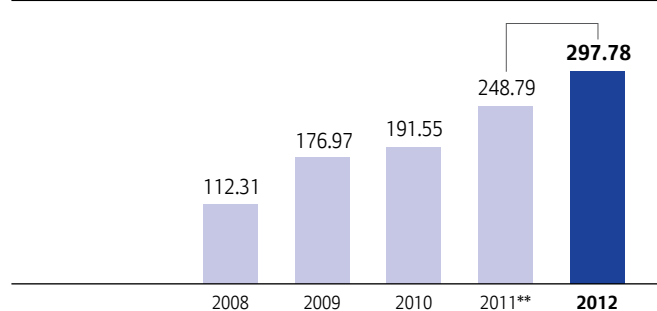
+14.5%



## Profit Before Tax

RM million

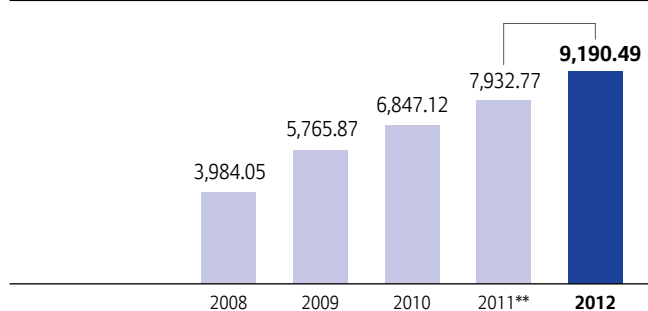
+19.7%



## Total Assets

RM million

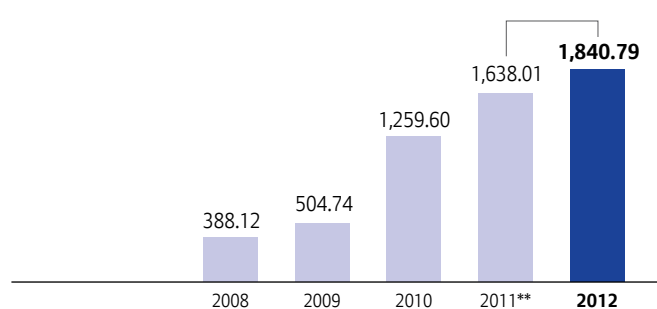
+15.9%



## Shareholders' Fund

RM million

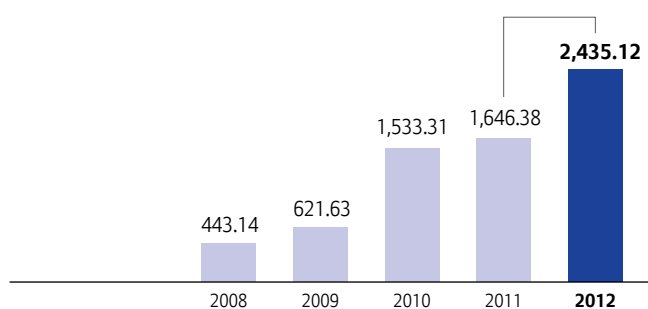
+12.4%



## Market Capitalisation

RM million

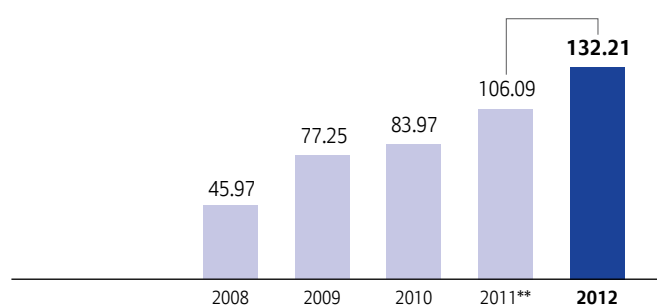
+47.9%



## Basic Earnings per Ordinary Share

sen

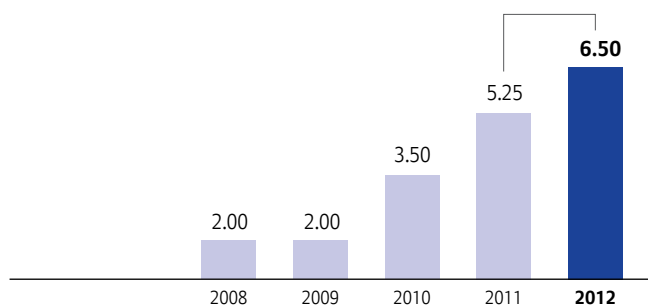
+24.6%



## Dividend per Ordinary Share

sen

+23.8%



		Group				
		2012	2011**	2010	2009	2008
Operating Revenue	(RM million)	3,147.60	2,751.66	2,509.04	2,221.62	1,898.87
Gross Written Premium	(RM million)	2,983.52	2,606.79	2,353.74	2,071.12	1,766.93
Profit Before Tax	(RM million)	297.78	248.79	191.55	176.97	112.31
Total Assets	(RM million)	9,190.49	7,932.77	6,847.12	5,765.87	3,984.05
Shareholders' Fund	(RM million)	1,840.79	1,638.01	1,259.60	504.74	388.12
Market Capitalisation	(RM million)	2,435.12	1,646.38	1,533.31	621.63	443.14
Final gross dividend payable/paid per share						
- Ordinary Share	(sen)	6.50	5.25	3.50	2.00	2.00
- Preference Share*	(sen)	7.80	6.30	4.20	-	-
Total amount dividend payable/paid#						
- Ordinary Share	(RM'000)	7,733.51	6,161.24	4,039.07	2,308.00	2,308.00
- Preference Share*	(RM'000)	14,630.43	11,952.98	8,078.13	-	-
Return on Equity^		11.9%	11.3%	14.6%	26.6%	20.0%
Return on Equity^ (Include subordinated loan of RM 490 million from Allianz SE)		11.9%	11.3%	11.5%	12.7%	8.4%
Operating Revenue Growth		14.4%	9.7%	12.9%	17.0%	31.4%
Gross Written Premium Growth		14.5%	10.8%	13.6%	17.2%	31.5%
Basic Earnings per Ordinary Share		(sen) 132.21	106.09	83.97	77.25	45.97
Diluted Earnings per Ordinary Share		(sen) 54.41	43.74	50.33	N/A	N/A
Net Asset Value per Ordinary Share		(RM) 11.60	10.47	8.19	6.46	5.71
Diluted Net Asset Value per Ordinary Share		(RM) 5.32	4.73	3.64	N/A	N/A

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

\* Irredeemable Convertible Preference Shares ("ICPS") was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2010.

# The actual amount payable for financial year 2012 will be based on the numbers of Ordinary Shares and ICPS at entitlement date for the dividends.

\*\* These numbers are restated upon the transition to Malaysian Financial Reporting Standards Framework on 1 January 2012.

"Our business is serious business; it's about real people and real lives, their property, their dreams and their aspirations and that's the part that really motivates us"

**Jens Reisch**

Chief Executive Officer  
Allianz Malaysia Berhad





It's about  
real people.



Telling real  
stories.



Sharing  
real  
experiences.



# 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**



# Our 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.

**1****Customer Focus**

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

**2****Integrity**

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

**3****High Performance Culture**

We encourage, recognise and reward exceptional performance

**4****Open Communication**

We practise and promote clear, open and transparent communication

**5****Corporate 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 39th Annual General Meeting of Allianz Malaysia Berhad ("39th AGM") will be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Friday, 21 June 2013 at 10.00 a.m. for the following purposes:-

## Agenda

- |                       |  |
|-----------------------|--|
| Ordinary Resolution 1 | 1. To receive the Audited Financial Statements for the financial year ended 31 December 2012 and the Directors' and Auditors' Reports thereon.   |
| Ordinary Resolution 2 | 2. To approve the payment of a first and final dividend of 6.50 sen per ordinary share less 25 percent tax for the financial year ended 31 December 2012.  |
| Ordinary Resolution 3 | 3. To approve the payment of Directors' fees of RM318,026 for the financial year ended 31 December 2012 (2011: RM247,982).   |
|                       | 4. To re-elect the following Directors:-   |
| Ordinary Resolution 4 | (a) Mr. Jens Reisch, 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.   |
| Ordinary Resolution 5 | (b) Encik Zakri Bin Mohd Khir, 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.   |
| Ordinary Resolution 6 | (c) Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, who retires in accordance with Article 102 of the Articles of Association of the Company and being eligible, offers herself for re-election.                                 |
| Ordinary Resolution 7 | 5. To re-appoint Y. Bhg. Tan Sri Razali Bin 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. |
| Ordinary Resolution 8 | 6. To re-appoint Messrs KPMG as Auditors and to authorise the Directors to fix their remuneration.   |

7. Special Business

To consider and if thought fit, pass the following resolutions:-

Ordinary Resolution

Ordinary  
Resolution 9

**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 30 May 2013, 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 of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or
- (ii) the expiration of the period within which next Annual General Meeting 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."

Special Resolution

Special Resolution

**Proposed Amendments to the Articles of Association of the Company**

"THAT the proposed amendments to the Articles of Association of the Company as contained in the Appendix 1 attached to the Annual Report 2012 ("Proposed Amendments") be and are hereby approved.

AND THAT the Directors and the Company Secretary be and are hereby authorised to carry out all necessary steps to give effects to the Proposed Amendments."

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 6.50 sen per ordinary share less 25 percent tax in respect of the financial year ended 31 December 2012, if approved at the 39th AGM, will be paid on 6 August 2013 to shareholders whose names appear in the Register of Members and/or the Record of Depositors at the close of business on 15 July 2013.

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 2013 in respect of transfers;
- (b) Shares deposited into the Depositor's Securities Account before 12.30 p.m. on 11 July 2013 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  
Company Secretary

Kuala Lumpur  
30 May 2013

### Notes

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 June 2013 shall be entitled to attend, speak and vote at the 39th AGM.
2. A member entitled to attend, speak and vote at the 39th AGM is entitled to appoint not more than two (2) proxies to attend, speak 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.
3. 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.
4. Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
6. 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.
7. 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 39th AGM.

## **NOTE TO HOLDERS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARE (“ICPS”)**

The holders of the ICPS shall be entitled to attend the 39th AGM but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 113 of the Annual Report 2012.

## **EXPLANATORY NOTES ON SPECIAL BUSINESS**

### **Ordinary Resolution 9 – 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 30 May 2013, despatched together with the Annual Report 2012.

### **Special Resolution – Proposed Amendments to the Articles of Association of the Company**

This proposed resolution, if passed, will bring the Articles of Association of the Company in line with the amendments prescribed under Chapter 7 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as for better clarity.

Detailed information in relation to the Proposed Amendments are set out in Appendix 1 on page 12 and 13 of the Annual Report 2012.

## Appendix 1

# PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

The proposed amendments to the Articles of Association of the Company are to bring the Articles of Association of the Company in line with the amendments prescribed under Chapter 7 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as well as for better clarity.

The existing Articles of Association and the proposed amendments to the Articles of Association of the Company ("Proposed Amendments") are set out below:-

EXISTING ARTICLES OF ASSOCIATION	PROPOSED AMENDMENTS	RATIONALE
<p><b><u>Article 2 – Interpretation</u></b></p> <p>[New provision]</p>	<p><b><u>Article 2 – Interpretation</u></b></p> <p><b><u>"Exempt Authorised Nominee" means an authorised nominee, as defined under the Central Depositories Act, which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.</u></b></p>	<p>This new definition is inserted in line with the amended Paragraph 7.21(2) of MMLR of Bursa Securities which took effect from 3 January 2012.</p>
<p><b><u>Article 6 – Allotment of shares</u></b></p> <p>Subject to the terms of any subsisting agreement and to the provisions of these Articles the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times as the Directors think fit provided always:-</p> <p>(a) that no shares shall be issued which shall have the effect of transferring a controlling interest without the prior approval of the Members in general meeting; and</p> <p>(b) that no Director shall participate in a share scheme for employees unless Members in general meeting have approved of the allotment to be made to such Director.</p>	<p><b><u>Article 6 – Allotment of shares</u></b></p> <p>Subject to the terms of any subsisting agreement and to the provisions of these Articles the shares shall be under the control of the Directors who may allot or otherwise dispose of the same to such persons, on such terms and conditions, and at such times as the Directors think fit provided always:-</p> <p>(a) that no shares shall be issued which shall have the effect of transferring a controlling interest without the prior approval of the Members in general meeting; and</p> <p>(b) no Director shall participate <b><u>in a scheme that involves a new issuance of shares to employees</u></b> unless <b><u>the</u></b> Members in <b><u>a</u></b> general meeting have approved <b><u>the specific allotment to be made to such Director.</u></b></p>	<p>This amendments are in line with the amended Paragraph 7.03 of MMLR of Bursa Securities which took effect from 3 January 2012.</p>

EXISTING ARTICLES OF ASSOCIATION	PROPOSED AMENDMENTS	RATIONALE
<b>Article 77 – Vote of Members</b>	<b>Article 77 – Vote of Members</b>	
The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if such appointor is a corporation under its common seal or the hand of its attorney.	The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney or if such appointor is a corporation under its common seal or the hand of its attorney.	
(a) A member shall not appoint more than two proxies. If two proxies are appointed to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.	(a) A member shall not appoint more than two proxies. If two proxies are appointed to attend at the same meeting, the instrument of proxy must specify the proportion of his shareholdings to be represented by each proxy.	
(b) A member may appoint any person to be his proxy without limitation and the provisions of section 149(1)(b) of the Act shall not apply to the Company.	(b) A member may appoint any person to be his proxy without <b>restriction as to the qualification of the proxy</b> and the provisions of section 149(1)(b) of the Act shall not apply to the Company.	This article is amended in line with the insertion of Paragraph 7.21A (1) of MMLR of Bursa Securities which took effect from 3 January 2012.
(c) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.	(c) Where a Member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one proxy <b>but not more than two proxies</b> in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account. <b>The appointment of two proxies in respect of any particular Securities Account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.</b>	To amend for clarity.
	(d) <b><u>Where a Member of the Company is an Exempt Authorised Nominee, which holds ordinary shares in the Company for multiple beneficial owners in one Securities Account ("Omnibus Account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds. The appointment of two (2) or more proxies in respect of any particular Omnibus Account shall be invalid unless the Exempt Authorised Nominee specifies the proportion of its shareholding to be represented by each proxy.</u></b>	This new Article 77 (d) is inserted in line with the amended Paragraph 7.21(1) of MMLR of Bursa Securities which took effect from 3 January 2012.



## STATEMENT ACCOMPANYING NOTICE OF 39TH AGM

### (A) Directors who are retiring at the 39th AGM

(I) Directors who are retiring by rotation in accordance with Article 96 of the Articles of Association of the Company:-

- Mr. Jens Reisch
- Encik Zakri Bin Mohd Khir

(II) Director who is retiring in accordance with Article 102 of the Articles of Association of the Company:-

- Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim

All the above Directors who are retiring at the 39th AGM have offer themselves for re-election as Directors of the Company at the 39th AGM.

### (B) Director who is seeking re-appointment pursuant to Section 129(6) of the Companies Act, 1965, at the 39th AGM

- Y. Bhg. Tan Sri Razali Bin Ismail

The details of the above Directors who are seeking for re-election/re-appointment are set out in the Board of Directors' Profiles on pages 24 to 37 of the Annual Report 2012.

# Corporate Information

## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

### Class of Shares

Ordinary Share

Irredeemable Convertible Preference Share

### Stock Code

1163

1163PA

### Company Secretary

Ng Siew Gek

Email: ng.siewgek@allianz.com.my

### 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 : 03-22641188/03-22640688

Fax : 03-22641199

www.allianz.com.my

### Share Registrar

**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

Email: is.enquiry@my.tricorglobal.com

### Auditor

**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

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

Ong Pin Hean

Chief Sales Officer, Agency Distribution of ALIM

Horst Hermann Habbig

Chief Sales Officer of AGIC

Lim Li Meng

Chief Sales Officer, Partnership Distribution of ALIM

Wang Wee Keong

Chief Operations Officer of AMB and AGIC

Stefan Ritz

Chief Operations Officer of ALIM

Chin Tze How

Group Chief Market Management Officer

Lee Chi Kwan

Head of Finance of AGIC

# 1

*One thing I know for sure:  
Help is just a call away*

One rainy night, I was on my way to fetch my kids back home from their tuition class. As I was driving, I suddenly felt my car swerving towards the right during the heavy downpour and I began to feel very troubled. That's when I realised that there was a puncture on one of the tyres of my car. At first, I was afraid and uncertain on what to do. I remembered the Allianz Auto Assist sticker on my windscreen and dialled the number. To my relief, Allianz Auto Assist came very promptly and the technician that rendered his service was very kind and helpful. We only used body language to converse with each other as both of us did not speak the same language. The technician understood what the problem was and changed the punctured tyre which helped me to continue my journey back home safely on that rainy night. I am very pleased and happy with the service offered by Allianz especially during an unpredictable situation such as this.

**Motor  
Insurance**

## 16,236

breakdown cases handled throughout Malaysia in 2012.



Ms. Poopak  
Allianz customer since 2010





# 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  
Wilayah Persekutuan  
Tel : 03-22640700  
Fax : 03-22636000  
Toll-free : 1300-88-1028  
[www.allianz.com.my](http://www.allianz.com.my)

## CENTRAL REGION

### CENTRAL REGION OFFICE

5th Floor, Wisma Allianz  
No. 33, Jalan Gereja  
50100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-20312211  
Fax : 03-20724628

### KUALA LUMPUR

Wisma Allianz  
No. 33, Jalan Gereja  
50100 Kuala Lumpur  
Wilayah Persekutuan  
Tel : 03-20312211  
Fax : 03-20789918

### PETALING JAYA

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

### KLANG

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

### KAJANG

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

### MALURI

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

### KEPONG

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

### SEREMBAN

No. 44, Jalan S2 B18  
Biz Avenue, Seremban 2  
70300 Seremban  
Negeri Sembilan Darul Khusus  
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 Darul Ridzuan  
Tel : 05-2549150 / 2555103  
Fax : 05-2542988

### TELUK INTAN

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

### TAIPING

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

## NOTHERN REGION

### NOTHERN REGION OFFICE

No. 6770 & 6771  
Ground, 1st Floor & 2nd Floor  
Jalan Kg. Gajah  
12200 Butterworth  
Penang  
Tel : 04-3239778 (Nothern Region)  
Tel : 04-3245175 (Nothern Region Hub)  
Fax : 04-3319778

### PENANG

Level 27, Menara BHL  
No. 51, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-2266055  
Fax : 04-2277055

### BUKIT MERTA JAM

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

### ALOR SETAR

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

### SUNGAI PETANI

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

**SOUTHERN REGION****SOUTHERN REGION OFFICE**

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

**MELAKA**

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

**JOHOR BAHRU**

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

**KLUANG**

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

**SEGAMAT**

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

**BATU PAHAT**

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

**EAST COAST REGION****EAST COAST REGION OFFICE**

No. 46, 2nd Floor  
Jalan Gambut  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5177662  
Fax : 09-5177663

**TEMERLOH**

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

**KUANTAN**

No. 46, Jalan Gambut  
25000 Kuantan  
Pahang Darul Makmur  
Tel : 09-5144936 / 5143276  
Fax : 09-5142936

**KUALA TERENGGANU**

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

**KOTA BHARU**

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



## SARAWAK REGION

### SARAWAK REGION OFFICE

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

### MIRI

Lot 1374  
Centrepont 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, Jalan Kampung Datu  
96000 Sibu  
Sarawak  
Tel : 084-332469 / 343205  
Fax : 084-332470

### KUCHING

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

### SARIKEI

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

## SABAH REGION

### SABAH REGION OFFICE

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

### KOTA KINABALU

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

### LAHAD DATU

Lot 1, Ground & 2nd Floor  
MDLD 6887, Block P  
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

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

**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  
Wilayah Persekutuan  
Tel : 03-22640700  
Fax : 03-22636000  
Toll-free : 1300-88-1028  
[www.allianz.com.my](http://www.allianz.com.my)

**CENTRAL REGION**
**JALAN PINANG**

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

**PETALING JAYA**

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

**DESA JAYA**

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

**KLANG**

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

**SEREMBAN**

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

**MELAKA**

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

**NORTHERN REGION**
**PENANG**

Level 27, Menara BHL  
No. 51, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-2292868  
Fax : 04-2298858

**BUKIT MERTAJAM**

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

**ALOR SETAR**

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

**SUNGAI PETANI**

No. 62B, 2nd Floor  
Jalan Pengkalan, Pekan Baru  
08000 Sungai Petani  
Kedah Darul Aman  
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 Darul Ridzuan  
Tel : 05-2419752  
Fax : 05-2416898

## SOUTHERN REGION

### JOHOR BAHRU

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

### YONG PENG

No. 16A, 1st Floor  
Jalan Bayan  
Taman Sembrong Barat  
83700 Yong Peng  
Johor Darul Takzim  
Tel : 07-4676720  
Fax : 07-4679400

### KLUANG

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

### BATU PAHAT

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

## EAST COAST REGION

### TEMERLOH

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

### KUANTAN

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

## SABAH REGION

### KOTA KINABALU

Lot 29, 2nd Floor, Block E  
Sedco Complex  
Jalan Albert Kwok  
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

TB320, Ground Floor  
Block 38, Fajar Complex  
Jalan St. Patrick  
W.D.T. No. 33  
91009 Tawau  
Sabah  
Tel : 089-765054  
Fax : 089-775554

## SARAWAK REGION

### KUCHING

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

### MIRI

Lot 1374, Ground Floor  
Centrepont Commercial Centre (Phase 2)  
Block 10, Miri Concession Land District  
Kubu Road  
98000 Miri  
Sarawak  
Tel : 085-410326  
Fax : 085-424318

### SIBU

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

# Board of Directors' Profiles

as at 30 April 2013



**Y. Bhg. Tan Sri Razali Bin Ismail**, aged 74, Malaysian, was appointed to the Board of the Company on 25 September 2001. He is a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Company.

**Y. BHG. TAN SRI RAZALI BIN ISMAIL**  
Chairman – Independent Non-Executive Director

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.

Y. Bhg. Tan Sri Razali was in the diplomatic service of the Government of Malaysia for 36 years (1962-1998) serving the last 10 years as Malaysia's Permanent Representative to the United Nations in New York. Y. Bhg. Tan Sri Razali was the President of the 53rd United Nations General Assembly from 1996 to 1997. He was involved in the matrix of issues and activities at the United Nations, articulating positions for Malaysia and influencing development of issues such as security, development, poverty, environment and human rights. He continues to keep abreast on these issues through contacts overseas, meetings and a network of colleagues. He was the United Nations Secretary-General's Special Envoy for Myanmar for more than 5 years (2000-2005).

In Malaysia, he has built a small position on issues relating to environment and is a self-styled environmental entrepreneur. He is an on the ground environmentalist especially over the protection and replanting of mangrove and dealing with environmental degradation due to urbanisation, pushing for recovery efforts such as sanitary landfills and the promotion of renewable energy. He has been the Pro-Chancellor of University Science Malaysia, Penang for 11 years, Chairman of Yayasan Salam and manages Yayasan Chow Kit, a foundation for marginalised and neglected children in the heart of Kuala Lumpur. He has been the Chairman of the Global Movement of Moderates Foundation since early 2012. He was previously the President of the World Wide Fund for Nature, 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; and
4. 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 5 Board Meetings held during the financial year ended 31 December 2012.



**Mr. Foo San Kan**, aged 64, 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.

**MR. FOO SAN KAN**

Independent Non-Executive Director

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 and 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. Malaysian Trustees Berhad;
4. OSK Holdings Berhad;
5. OSK Trustees Berhad;
6. OSK Property Holdings Berhad; and
7. Symphony House 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 5 Board Meetings held during the financial year ended 31 December 2012.





**Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy**, aged 68, Malaysian, was appointed to the Board of the Company on 24 June 2011. He is the Chairman of the Investment Committee and a member of the Risk Management Committee and Nominating Committee of the Company.

**Y. BHG. DATO' DR. THILLAINATHAN A/L RAMASAMY**  
Independent Non-Executive Director

He obtained his Class I Honours in Bachelor of Arts (Economics) Degree from the University of Malaya, Master and PhD in Economics from the London School of Economics. He is a Fellow member of the Institute of Bankers Malaysia.

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

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

Y. Bhg. Dato' Dr. Thillainathan's other directorships in public companies are as follows:-

1. Allianz General Insurance Company (Malaysia) Berhad;
2. Allianz Life Insurance Malaysia Berhad;
3. Petronas Dagangan Berhad;
4. Genting Berhad; and
5. Citibank Berhad.

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

He attended all the 5 Board Meetings during the financial year ended 31 December 2012.



**Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim**, aged 66, Malaysian, was appointed to the Board of the Company on 23 November 2012. She is the Chairperson of the Nominating Committee, Remuneration Committee and Risk Management Committee and a member of the Audit Committee of the Company.

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

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah graduated with Bachelor and Master in Laws from the Queen's University of Belfast, United Kingdom in 1971 and 1974 respectively. She obtained her Certificate of Legal Practice in 1987 and was duly admitted as an Advocate & Solicitor of the High Court of Malaya in 1988. Subsequently, she received her Honorary Doctorate from the Queen's University of Belfast in 2005.

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

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

In 2006, she was appointed as the Vice-Chancellor/President of the University of Malaya.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah is currently the Executive Director of NAM Institute for the Empowerment of Women.

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

Tan Sri Datuk (Dr.) Rafiah's other directorships in public companies are as follows:-

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

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah does not hold any share in the Company and its subsidiaries. She also does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has had no convictions for offences within the past 10 years other than traffic offences.

She attended 1 Board Meeting held after her appointment as Director of the Company during the financial year ended 31 December 2012.



**Mr. Jens Reisch**, aged 47, 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. JENS REISCH**

Chief Executive Officer and  
Non-Independent Executive Director

Mr. Reisch entered into insurance apprenticeship training of the 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's 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 of the 5 Board Meetings held during the financial year ended 31 December 2012.



**Encik Zakri Bin Mohd Khir**, aged 49, Malaysian, was appointed to the Board of the Company on 26 April 2010. He is a member of the Investment Committee and Nominating Committee of the Company.

**ENCIK ZAKRI BIN MOHD KHIR**  
Non-Independent Non-Executive Director



Encik Zakri obtained his Certificate of Insurance from the Institut Teknologi Mara in 1986. He has over 24 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 director and/or major shareholder of the Company:-

- (i) Encik Zakri is the nephew of Y. Bhg. Tan Sri Razali Bin 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 of the 5 Board Meetings held during the financial year ended 31 December 2012.



**Mr. Ong Eng Chow**, aged 48, 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 ENG CHOW**  
Chief Financial Officer and  
Non-Independent Executive Director

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 23 years of experience in the financial service industry, of which 18 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 other interest in the shares of 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 5 Board Meetings held during the financial year ended 31 December 2012.

# 1

*One thing I know for sure:  
I am well prepared to help  
him achieve his dreams,  
whatever they are*

Children are so full of life and as a father, I am thrilled to see my son growing up each day. He is still a little boy, but I want to be well prepared to help my son achieve his dreams when he grows up. Giving him the best is my priority and that's why I started early in investing on an education plan for him. I am confident that Allianz's education plan can ensure that when my son grows up, he can live out his dreams.

## Education

### Allianz EduPlus

**Capital Protected**

while reaping the potential higher return of our professionally managed fund.

**Guaranteed Acceptance**

with no questions asked on your child's health status.

**More Choices**

for you to opt for a plan that best suits your child's education needs.



Mr. Benjamin Ong  
Allianz customer since 2009







# Chairman's Statement



The year 2012 was indeed a milestone year for Allianz Malaysia Berhad. It heralded our decade-long existence in Malaysia and marked another year of commendable results on the financial and operational fronts despite a highly challenging and competitive insurance landscape. On behalf of the Board of Directors, I am delighted to present the Annual Report and Financial Statements of Allianz Malaysia Berhad ("the Company") and its subsidiaries (collectively referred to as "the Group") for the financial year ended 31 December 2012.

Dear Shareholders,

### OPERATING ENVIRONMENT

In 2012, global economic growth moderated amid a more challenging environment compared to 2011. Growth was uneven in the advanced economies, with the US experiencing a fragile recovery and the euro area remaining in recession. Domestic economic activity in emerging economies was also affected by a slowdown in international trade. Nonetheless, market sentiments improved towards the later part of the year following stronger commitments and important steps taken by authorities in resolving the European sovereign debt crisis. (Source: Bank Negara Malaysia Annual Report 2012)

Despite the weak external environment, the Malaysian economy performed better than expected, delivering faster and higher quality growth at 5.6% in 2012. The overall growth performance was driven by higher growth in domestic demand, which outweighed the negative impact from the weak external environment. (Source: Bank Negara Malaysia Annual Report 2012)

In this environment, domestic financial stability in Malaysia has continued to be preserved. There have been no disruptions to credit flows and domestic financial markets have remained orderly. Financial institutions in Malaysia are sound with strong capital and liquidity buffers with continued improvements in asset quality. (Source: Financial Stability and Payment Systems Report 2012)

The insurance and takaful industry recorded strong improvements in profitability on account of continued expansion in new business, better claims experience and improved investment returns. (Source: Financial Stability and Payment Systems Report 2012)

Against this backdrop, I am delighted to report that the Group continued to deliver profitable growth for 2012.

### FINANCIAL PERFORMANCE

For the year under review, the Group's operating revenue advanced by a commendable 14.4 percent to RM3.15 billion from RM2.75 billion in 2011, while profit before tax increased by 19.7 percent to RM297.8 million in 2012 from RM248.8 million previously. Our net income in 2012 increased by 26.9 percent to RM207.6 million from RM163.6 million in 2011.

#### Key Figures

Operating revenue grew by

14.4% to

**RM3.15**

billion

Profit before tax increased by

19.7% to

**RM297.78**

million



*Giving  
customers a  
wide variety  
of choice*

Both life and general insurance businesses maintained their good sales momentum in 2012. The Group's consolidated gross written premium ("GWP") of its general and life insurance operations rose by 14.5 percent to RM2.98 billion in 2012 in comparison to RM2.61 billion in 2011. The net written premium in 2012 increased by 12.4 percent to RM2.40 billion from RM2.14 billion in 2011.

The year saw the Group's balance sheet continue to strengthen on the back of a strong operating performance. Total assets increased by 15.9 percent to RM9.19 billion in 2012 as compared to RM7.93 billion in 2011, while shareholders' fund increased by 12.4 percent to RM1.84 billion from RM1.64 billion in 2011. The Group's market capitalisation increased by 47.9 percent to RM2.44 billion in 2012 from RM1.65 billion in the preceding year. The Group's return on equity increased to 11.9 percent from 11.3 percent in 2011, while the Group's basic earnings per share also saw an increase to 132.2 sen from 106.1 sen in 2011.

The Group's insurance subsidiaries remained strongly capitalised as at 31 December 2012 in compliance with regulatory requirements.

The Group's strong results are also attributable to the sound business model and practices which is based on the foundation of sustainability, risk diversification and profitable long-term growth.

## Key Figures

Gross written premium increased by

**14.4% to  
RM2.98  
billion**

## DIVIDENDS

The Company continuously strives to protect investors' capital and provide attractive returns and dividends whilst striking a balance between the dividend payout and capital requirement of its insurance subsidiaries when determining the dividend proposal for shareholders' approval. Following the stronger operating performance in 2012, the Board of Directors is proposing a higher dividend payment. For the financial year ended 31 December 2012, the Board is pleased to recommend a first and final dividend of 6.50 sen per ordinary share less 25 percent tax (2011: 5.25 sen less 25 percent tax) and a preference share dividend of 7.80 sen per Irredeemable Convertible Preference Share under a single tier system (2011: 6.30 sen).



**"Allianz General recorded double-digit growth of 14.4 percent to achieve a total GWP of RM1.67 billion in 2012."**

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 for 21 June 2013.

## REVIEW OF OPERATIONS

### Profitable Growth in General Insurance Operations

The Group's insurance business continued its commendable GWP growth in 2012. Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") recorded double-digit growth of 14.4 percent to achieve a GWP of RM1.67 billion in 2012.

In 2012, Allianz General reaffirmed its position as one of the leading general insurers in the industry with a market share of 11.0 percent in GWP (*Source: ISM Statistical Bulletin Market Performance Report January – December 2012*). This sustainable strong GWP growth came on the back of a successful multi-distribution strategy and strong sales distribution capabilities.

The Agency channel continued its strong growth momentum and remained the largest distribution channel contributing 55.3 percent of Allianz General's overall GWP in 2012, a 19.0 percent increase over the previous year's GWP. The Broker, Franchise, Bancassurance and Telemarketing channels contributed the remaining 44.7 percent of GWP, recording an overall growth of 9.2 percent.

The underwriting profit further improved by 29.2 percent to RM133.4 million in 2012 while maintaining a combined ratio of 87.7 percent, a 2.0 percent improvement from 89.7 percent in 2011.

The strong underwriting profit was mainly driven by improvement in containing the claims ratio to 59.3 percent in 2012. This was a 3.5 percent reduction over the claims ratio of 62.8 percent in 2011. The sustainable growth recorded in underwriting profit was attributable mainly to Allianz General's ability to maintain a diverse and balanced portfolio mix as well as its disciplined approach in implementing prudent underwriting guidelines and other measures to increase operational efficiencies.

The Motor business remained the biggest portfolio in the general insurance business, contributing to 54.1 percent of Allianz General's GWP in 2012. It grew by 18.6 percent, while the Non-motor segment grew by 9.8 percent and accounted for 45.9 percent of GWP. The Property insurance portfolio being the biggest portfolio in the Non-motor segment accounted for 18.5 percent of total GWP, followed by Health & Personal Accident insurance (6.5 percent), Liability insurance (5.2 percent), Marine insurance (4.2 percent) and other general insurance (11.5 percent). Allianz General continues to develop its multi-line product offering to reinforce its leadership position in the retail market.

The management expenses ratio saw an increase of 2.7 percent to 19.7 percent in 2012 from 17.0 percent in the previous year. Allianz General invested in strengthening the capabilities of its distribution channels for profitable growth and increased productivity.

**"Allianz Life recorded a strong 14.5 percent growth to achieve a total GWP of RM1.31 billion in 2012."**

### **Fast-Growing Life Insurance Operations**

I am pleased to report that Allianz Life Insurance Malaysia Berhad ("Allianz Life") also recorded a strong double-digit growth to achieve a total GWP of RM1.31 billion in 2012. This represents a 14.5 percent increase over the GWP of the preceding year, making it one of the fastest growing life insurance companies in the market.

In 2012, Allianz Life grew its agency GWP by 17.3 percent to RM1,123.7 million from RM957.8 million in 2011. This accounted for 85.8 percent of Allianz Life's total GWP. The GWP for its Agency business exceeded the RM1 billion mark for the first time ever, the result of an enlarged and productive agency distribution force and a strong persistency ratio. Meanwhile, the GWP of the Employee Benefit channel grew by 15.1 percent to RM119.3 million from RM103.7 million in 2012 contributing 9.1 percent of the total 2012 GWP. The newly formed Partnership Distribution, comprising of Bancassurance and Alternative Distribution channels made up the remaining 5.1 percent of the year's total GWP.

Allianz Life continues to drive a balanced product portfolio and strategy with a focus on selling more investment-linked and protection business. As a result, this business segment saw its GWP grow by 38.4 percent to RM379.5 million in 2012 from RM274.2 million previously. Approximately 64.0 percent of Allianz Life's GWP growth in 2012 was attributed to investment-linked business while traditional life business accounted for 36.0 percent.

Allianz Life's proven record in executing its business strategies has seen its share of the total life market increasing to 6.6 percent in terms of annualised new business premiums ("ANP") (*Source: Life Insurance Association Malaysia*). ANP grew by 11.8 percent to RM295.0 million in 2012 from 263.8 million in the previous year. Its agency sales outperformed the market, increasing ANP by 12.9 percent to RM277.5 million against 2011's total of RM245.7 million.

In line with its disciplined approach in managing new business mix, Allianz Life recorded an increase of 28.5 percent in investment-linked ANP, accounting for 49.9 percent of total ANP.

Allianz Life also enforces discipline in product pricing activities, enabling it to maintain its margins and manage risk exposure as well as provide a strong value proposition to its policyholders.

### **Strengthened Distribution Capabilities**

The strength of their relationships with their distribution partners has been fundamental to the success of Allianz General's and Allianz Life's extensive network distribution efforts. The core distribution channel for both these businesses continues to be their agency channel. Two successful programmes launched by the Group to increase diversity among the agency force will propel the Group forward towards its ambition of becoming the insurance retail leader in Malaysia.

In 2012, Allianz General continued to drive agency recruitment and improve renewals in motor business. As a result, 1,167 new agents were recruited (a 92.6 percent increase over 2011) and motor renewals went up by 5.0 percent.

Despite a slowdown in car sales, the franchise business continued to recruit new dealers and manufacturers to achieve its targets. Furthermore, the telemarketing channel was successfully formed as an independent distribution channel to support existing intermediaries, while in bancassurance, Allianz General's commercial banking relationship with CIMB and HSBC continued to strengthen.

Allianz Life also had a strong year, with the number of agents surpassing the 6,000 mark to hit 6,537 agents. This is in line with the target to increase the agency force to 10,000 agents by 2015. The Allianz Life agency force is recognised as being among the most productive in the industry. The year 2012 proved to be a significant milestone for the newly founded Partnership Distribution channel with the signing of a 10-year exclusive Bancassurance partnership with HSBC that went live in January 2013. Allianz Life also entered into a strategic partnership with OSK Trustees Bhd enabling Allianz Life to offer life insurance to OSK's customers while OSK in return provides estate-planning services to Allianz Life's customers.

Allianz Life's Employee Benefits channel continued its focus on strengthening the channel by increasing the number of agents as well as rallying stronger support from leading brokers.

Moving forward, our insurance businesses will continue to grow its distribution channels and provide quality services to meet consumer needs through various point of sales in Malaysia.

### **Improved Product Offerings**

At Allianz, we are committed to developing and delivering innovative products in line with the changing lifestyle and business needs of our consumers. Allianz General is committed to underwriting sound businesses and quality products, whilst Allianz Life leverages on comprehensive protection and savings products that cater for the various lifestyle demands and trends.

In 2012, Allianz General launched several new products under the "Shield" brand. ATM Shield is a personal protection plan providing 24-hour cover for injury or loss sustained due to snatch thefts, attempted snatch thefts, robbery or attempted robbery. It also includes compensation for cash lost due to snatch thefts or robbery occurring within 24 hours of any ATM withdrawal worldwide. Home Shield in turn provides protection to homeowners against loss or damage to their household contents or personal effects due to fire or theft.

The year also saw two new insurance packages being introduced, namely Hotel Shield (a comprehensive package policy specially designed for budget hotels), and Smart Retail Shield (a 6-in-1 insurance package specially designed for small to medium sized businesses).

As customer needs change in the area of protection, education and retirement, Allianz Life has continuously sought to enhance and improve its best-selling regular premium product, PowerLink. In line with this, 2012 saw the launch of two new income riders that pay a steady income to policyholders with critical illnesses or total and permanent disability.

To help consumers finance their children's education, Allianz Life introduced Allianz EduPlus, a plan that will help to finance children's education while offering protection to parents at the same time.

As a growing number of the Malaysian population begins to age, retirement planning has become increasingly important. Going forward, Allianz Life is set to position itself more prominently as the preferred retirement solutions provider among consumers to cater for the demographic change.

### **Enhanced Service and Operational Efficiencies**

The Group currently serves 2.54 million customers nationwide and we are continuously enhancing our operational efficiencies and service standards to ensure we meet their needs and remain their insurance solutions provider of choice.

The year under review saw the Group placing a high priority on service transformation. In tandem with this exercise, we undertook customer-centric initiatives based on the feedback received to ensure higher customer satisfaction levels. We continue to improve our services by enhancing our business processes and leveraging on new digital technologies. Through increasing the efficiency and speed of interactions and deliverables for our customers and intermediaries, we are ensuring they receive the highest standard of service.

Following the introduction of Allianz Life's electronic application platform for its agency force to submit customer application forms, there was an increase in its usage in 2012. Demand for the platform is expected to rise further as we enhance the application platform in 2013 and make it easier and faster for our agents, business partners and policyholders.

Moving forward, the Group will endeavour to offer superior products and services to our customers and business partners backed by continuous operational improvements and digitization efforts. We will also leverage on the vast knowledge pool, technical expertise and best practices of Allianz companies globally and in the Asia Pacific region to deliver innovative products and quality services.

### **Focused Branding and Sponsorship Initiatives**

The Group continues to build awareness of the Allianz brand through several focused branding platforms that also serve to build enduring relationship with our customers. In 2012, we officially launched our branding and sponsorship platform, One Campaign, a global communication campaign for Allianz. Officially launched in Malaysia, this campaign centres on the concept that everyone knows something that could benefit another. Bringing this notion into play within Allianz, prompts us as an organisation and a united team to share our knowledge, enable dialogue and encourage our customers to advance forward in life and business. One Campaign is about real people, sharing real experiences and relaying the unique bits of knowledge they possess. The campaign focused on communication messages built on our education, protection and motor insurance offerings with messages disseminated to consumers via several media platforms including national television and radio broadcasts as well as the newspapers.

The year also saw us engaging with target audiences via our sponsorship of two very popular sporting platforms i.e. football and running. These platforms enable us to not only promote our brand awareness but also to promote healthy living among Malaysians. The Allianz Junior Football Camp, a global platform was launched in Malaysia last year. Two teenagers from Malaysia were selected to participate in a five-day football adventure in Munich where they met with young footballers from other countries, trained under FC Bayern's young coaches and did some sightseeing. We also continued our sponsorship of the Allianz Penang Bridge International Marathon which has been reinstated in Malaysia's Book of Records as the "Largest Bridge Run Event in Malaysia" given the participation of some 34,500 runners.

Allianz was also the first insurance company in the world to have sponsored KidZania Kuala Lumpur. KidZania Kuala Lumpur is an educational theme park which offers children between the age 4-17 the opportunity to bring role-play to its maximum expression in this mini city. We believe it can educate our next generation about the importance of insurance in a fun and entertaining way.

## **RESPONSIBLE CORPORATE PRACTICES**

### **Our Approach to Sustainable Success**

In 2011, Allianz Malaysia established Allianz4Good, which is a strategic approach within the Allianz Group that aims to create a corporate culture in which social and environmental challenges are managed as opportunities for ensuring our sustainable success as a company.

Allianz4Good encompasses the Group's efforts in Corporate Volunteering, Corporate Giving and also its initiatives to ensure the long-term viability of the business. In particular, Allianz4Good's projects in road safety and financial literacy have addressed a societal gap while at the same time engaging our employees.

The activities and initiatives for the year are covered in more detail in the Sustainability Report which forms part of this Annual Report.

### **Open and Transparent Communication**

Open communication and transparency are part of the Allianz DNA. We organise town hall meetings twice a year to share the Group's performance, aspirations and key developments with our staff. Over 30 branches nationwide emulate the proceedings with the same messages cascaded down to all staff at branches.

In July 2011, the Group ventured into a new phase of open communication through the launch of the Allianz Malaysia Facebook. This social media tool serves as a communication platform as well as an engagement and branding platform for customers and the public. In 2012, almost 150 enquiries were generated on our Facebook page while it garnered over 50,000 fans in only 18 months.

### **Effective Risk Management**

The Group is confident that its risk management and internal control systems are operating adequately and effectively to meet the requirements of day-to-day business operations and the challenges of a rapidly changing environment. This confidence stems from the strong risk awareness culture in the Group, and the many measures put in place, including improved internal solvency targets as of 31 December 2012 and close monitoring of capital positions. The Group sees itself as well-positioned to deal with potential future adverse events, as its operating entities are well-

**"We believe we have achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations through an appropriate risk appetite, enabling us to achieve a better CAGR as compared to the industry."**

capitalised, and internal limit frameworks are in place that will limit the impact of adverse developments on our regulatory and economic solvency ratios.

In addition, the Group believes it has achieved an appropriate balance between potential earnings, earnings volatility and solvency considerations through an appropriate risk appetite, enabling it to achieve a better compound annual growth rate as compared to the industry, while ensuring risks are effectively identified and mitigated.

Notwithstanding, the system by its nature can only provide reasonable but not absolute assurance against any risk. Although we will mitigate, but some of the factors affecting our operations are inherent in nature which includes the performance of the financial markets and the economy. The continuation of a low interest environment may create challenges to the life operations especially in delivering sufficient investment income to meet policyholders' future expectations and long term guarantee embedded in the life insurance products; whereas for the general operations, the potential of higher interest rates due to higher inflation may result in lower market prices for existing fixed income investments.

With the climate change, natural catastrophe may become more severe and unpredictable. These may render assumptions used in pricing the insurance products erroneous causing inadequate pricing. Such event will normally result in higher claims liability.

In addition, insurance companies are faced with continued trend towards consumer protection, especially in the areas of transparency, sales practices and suitability of insurance products. This may result in an increase in operational and compliance costs.

In compliance with Bank Negara Malaysia's new requirement to ensure capital adequacy, the Group has launched the Internal Capital Adequacy Assessment Process ("ICAAP") in 2012. Allianz Life and Allianz General had successfully met the expectations of the principles and standards laid out in the ICAAP guidelines in 2012.

### **Adhering to the Regulatory Framework**

During the course of 2012, the Group continued to implement initiatives aimed at making us a more customer-centric organisation. The Allianz Sales Compliance Policy was one such initiative that was rolled out in early 2012. This Policy laid out six sales fundamentals focusing on compliance aspects from product origination to distribution and complaint management. Additionally, the Treating Customers Fairly Framework by the Life Insurance Association of Malaysia was also implemented in 2012 under which several Minimum Standards have been set to ensure fair treatment of policyholders. Allianz Life has been working hard to ensure meeting these standards which are consistent with the fundamentals of the Allianz Sales Compliance Policy.

In terms of new legislation, the Competition Act 2010 ("CA"), The Personal Data Protection Act 2010 ("PDPA"), The Financial Services Act 2013 ("FSA") and The Islamic Financial Services Act 2013 ("IFSA") are expected to bring about significant changes to the manner in which the insurance industry operates.

**"The Group will continue to leverage on the competitive strengths of providing both general and life insurance solutions to maintain our leading position in the market and remain the trusted and preferred insurer to all Malaysians."**

On 1 January 2012, the CA came into effect and applies to any commercial activity transacted within Malaysia and outside Malaysia, which has an effect on competition in any market in Malaysia. Given the potential impact of the CA, we have undertaken reviews of the operations and business practices within the Group to ensure compliance thereof.

The PDPA, FSA and the IFSA are all expected to be effected soon. Under the PDPA, there is a need to obtain customer consent when processing the personal data of individual policyholders or involving them in direct marketing activities. In line with this, all internal processes and practices pertaining to the processing of personal data are under review to ensure that customer data is properly processed and safeguarded.

The FSA and IFSA are intended to replace the statutory requirements under several legislation including the Insurance Act 1996 and the Takaful Act 1984. When enforced, both the FSA and IFSA will introduce more stringent requirements, including subjecting the holding company of a financial institution to capital and prudential requirements.

## OUTLOOK AND PROSPECTS

The global growth outlook is expected to improve in 2013, averaging 3.5 percent on an annual basis (slightly higher than the 3.2 percent growth realised in 2012). Financial and policy risks have receded compared to the recent two years. However, downside risks are expected to remain given the risk of near-term fiscal consolidation in the United States and renewed setbacks in the Eurozone.

The Malaysian economy is expected to remain on a steady growth path with an expansion of 5 to 6 percent in 2013. (*Source: Bank Negara Malaysia Annual Report 2012*)

Economic activity will be anchored by the continued resilience of domestic demand, supported by a gradual improvement in the external sector. Private investment is expected to remain robust, driven by capacity expansion by domestic-oriented firms and the continued implementation of projects with long-term growth prospects. (*Source: Bank Negara Malaysia Annual Report 2012*)

The external environment is expected to remain challenging in 2013. The key risk to the Malaysian financial sector continues to stem from the general weakness in the external economic conditions which is then transmitted through the trade channel. However, the Malaysian financial sector is well placed to cope with such adverse external developments given the strong financial buffers of its financial institutions. (*Source: Financial Stability and Payment Systems Report 2012*)

Growth in the insurance sector is projected to be sustained, reflecting continued robust demand for financing particularly by the commercial sector. (*Source: Bank Negara Malaysia Annual Report 2012*)

## MOVING FORWARD

Moving forward, the Group will continue to build on the strong momentum gained in 2012 to drive business growth. The Group will continue to leverage on the competitive strengths of providing both general and life insurance solutions to maintain our leading position in the market and remain the trusted and preferred insurer to all Malaysians.

We aim for further growth while sustaining our margins through better risk selection and enhanced operational efficiencies. By focusing on risk selection when accepting business, this will enable us to improve our underwriting margins and sustainable profit over the next year.

The strong growth to date of both our general and life insurance operations bode well for the future prospects of the Group and further solidify our commitment to continue expanding our reach as the preferred insurance provider. For 2013, both our insurance operations will continue to embark on growth strategies and expand their distribution reach by securing strategic distribution arrangements. We will also focus our efforts on building an enlarged professional agency force.

Our businesses will also continue to offer comprehensive insurance solutions and improve our operational capabilities to deliver better customer service and penetrate a wider market segment. We will continue to leverage on the on-going digitized trend and opportunities. At the same time, we will invest in brand engagement activities to enhance the value of our global brand. The low penetration rate for insurance products coupled with good GDP growth will provide opportunities for the Group to accelerate our own growth.

Moving forward into 2013, the Board is cautiously optimistic that the Group will continue to grow profitably and create long-term sustainable value for all our shareholders.

## ACKNOWLEDGEMENTS

On behalf of the Board, I wish to convey our heartfelt thanks to our valued shareholders, customers, agents, brokers, re-insurers, business partners, associates and bankers for their steadfast support and confidence in the Group. We would also like to extend our utmost gratitude to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their invaluable advice, guidance and support through the year.

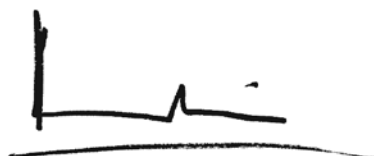
My sincere appreciation goes to the Senior Management team and the Group's employees for their hard work, dedication and commitment to excellence in 2012. We could not have done this without you.

On behalf of the Board, I extend a warm welcome to Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim who joined the Board on 23 November 2012 as an Independent Director. Her appointment is all the more noteworthy as she is the first woman director to be appointed to the Board. We certainly look forward to her wise counsel and insights.

Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar retired as an Independent Director of the Company on 25 November 2012 after having served the Group for more than 12 years. We extend our utmost thanks to Y. Bhg. Dato' Seri Nik Abidin for his significant contributions to the Group and wish him well in his retirement years.

I would also like to record our utmost appreciation to Mr. David Lawrence Fried who resigned as a Director of the Company on 18 January 2013. We thank him for his significant contributions to the Group and wish him every success in his new endeavours.

We trust all our stakeholders will continue to extend us their unwavering support as we set our sights on achieving another year of robust growth and greater heights of success. Thank you.



**TAN SRI RAZALI BIN ISMAIL**

Chairman

3 May 2013



# Sustainability Report

"Sustainable Development for us means combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility."

Economic



Social







## Environment



## Governance



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## About this report

This report covers the operations of Allianz Malaysia Berhad and its subsidiaries ("Allianz"). It gives a broad overview of our sustainability performance in 2012.

All contents and key figures are accurate as at 31 March 2013.

[allianz4good@allianz.com.my](mailto:allianz4good@allianz.com.my)

# Strategy and Management



In recent years, stakeholders' concerns have expanded beyond conventional financial results and considerations to a greater demand for information and transparency. Investors wish to understand not just how much money is made but whether it is done in a sustainable and responsible manner.

Social and environmental conditions in society have often a direct impact on the business operations of a company and its long-term viability. Sustainable Development for us means combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility. Our guiding principles in achieving a sustainable growth are Customer Focus, Integrity, High Performance Culture, Open Communication and Corporate Responsibility. We care and are committed to help building the community through our socially responsible initiatives. With more than 1,700 employees, over 11,000 agents and a customer base of 2.5 million nationwide, we can leverage on the power and engagement of our human capital to make a difference in society.

With our social initiatives, we offer our skills, experience, time and resources for the benefit of society and at the same time enable and engage our people. In doing so, we have a strong focus on the topics of Road Safety and Financial Literacy, which are two of our four identified Corporate Responsibility pillars. As an insurer, it is our duty to increase the safety level and thereby reduce risks within society. In addition to that, we leverage our core competency as a financial services provider to build the knowledge base and economic status of Malaysians and empower individuals to be responsible financial citizens. It is our commitment to look after our customers, building trust and providing them with products that meet their needs, maintaining a high level of integrity and treating our employees and business partners well.

With the Allianz4Good brand and strategic orientation, we want to go beyond philanthropy. I am pleased with the progress we have made, since we adopted Allianz4Good in Malaysia in 2011. We have focused on crucial challenges for the country and support initiatives to resolve them. We are engaging a growing number of our employees to advance social and environmental well-being and have further developed a systematic approach to our volunteering and social initiatives. This Sustainability Report shows our non-financial performance in the Economic, Environmental, Social and Governance spheres. With the report, we aim to create transparency and show our commitment to being a reliable partner and good corporate citizen for our customers, agents, business partners, employees and the general public.

We would like to continue with our approach and further activate our Allianz community to do our best in managing social challenges in a responsible manner and see them as opportunities to ensure our sustainable and profitable growth in all lines of business. After 10 years since Allianz was established in Malaysia, we have managed to be one of the leading insurers in Malaysia today. My goal is for Allianz to be recognised not only as a top insurance company, but also as a leading corporate citizen in our society in future years.

A handwritten signature in black ink, appearing to read 'J. Reisch', written in a cursive style.

**Jens Reisch**  
CEO, Allianz Malaysia Berhad

## Stakeholder Engagement

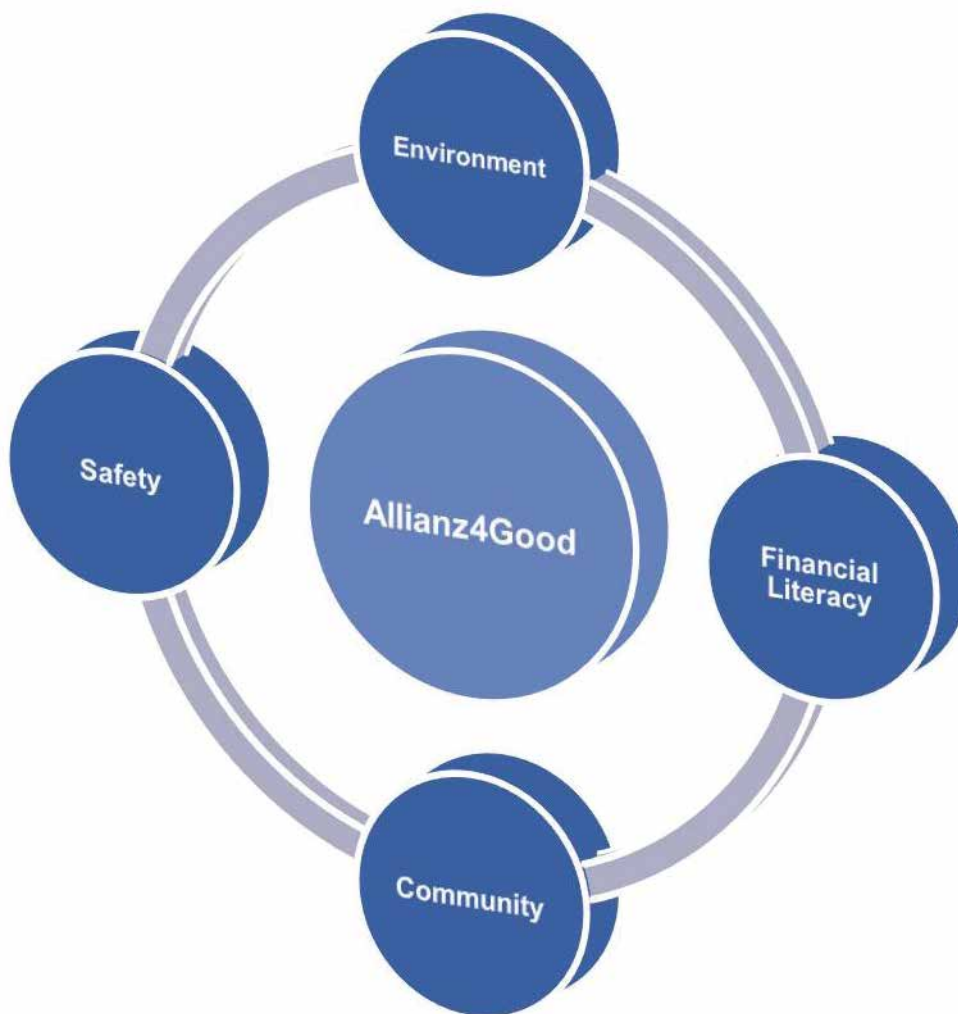
Stakeholders' trust is of particular importance in the financial services industry. To cultivate trusting relationships with our broad spectrum of stakeholders, we are committed to engaging them in a variety of ways.

Stakeholder	Type of Engagement
<b>Customers</b>	<ul style="list-style-type: none"> <li>• Knowledge-sharing initiatives</li> <li>• Customer surveys</li> <li>• Facebook</li> <li>• Website</li> </ul>
<b>Employees</b>	<ul style="list-style-type: none"> <li>• Employee feedback</li> <li>• Regular Townhall Meetings</li> <li>• Corporate volunteering programmes</li> <li>• HR-related dialogues</li> <li>• Monthly newsletters/Quarterly magazines</li> <li>• Staff activities</li> <li>• Training and Leadership programmes</li> <li>• Internal staff portal</li> </ul>
<b>Agents</b>	<ul style="list-style-type: none"> <li>• Agent Point newsletter</li> <li>• Award/Recognition Dinners</li> <li>• National Marketing Conventions</li> <li>• Training sessions for agents</li> <li>• Facebook</li> <li>• Internal agent portal</li> </ul>
<b>Government relations</b>	<ul style="list-style-type: none"> <li>• Dialogues with regulatory bodies</li> <li>• Public Partnerships</li> <li>• Interaction with regulatory bodies</li> </ul>
<b>Investment community</b>	<ul style="list-style-type: none"> <li>• Annual General Meetings</li> <li>• Analyst briefings on quarterly basis</li> <li>• Meetings with fund managers and investors</li> <li>• Quarterly Reports and Annual Reports</li> <li>• Audited Financial Statements</li> <li>• Shareholders' Circulars</li> <li>• Announcements released to Bursa Malaysia Securities Berhad and Media</li> </ul>
<b>Society</b>	<ul style="list-style-type: none"> <li>• Panel discussions and round tables</li> <li>• Partnerships for civic engagement</li> <li>• Corporate volunteering activities</li> <li>• Outreach events</li> <li>• Career fairs by Human Resources Department</li> <li>• Recruitment fairs by Agency Department</li> <li>• Social Sponsorship</li> </ul>
<b>Media</b>	<ul style="list-style-type: none"> <li>• Press conferences and events</li> <li>• Media releases</li> <li>• Media interaction</li> </ul>

## Managing Corporate Responsibility

Allianz strives to build a corporate culture in which social and environmental challenges are managed as opportunities for ensuring our sustainable success as a company. We aim to achieve this by combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility. At Allianz we pursue our Corporate Responsibility ("CR") objectives through an integrated and comprehensive approach, managed by the Allianz4Good Department. This engagement encompasses our corporate volunteering activities, our philanthropic support via corporate giving and our commitment to transparency and accountability through responsible reporting.

We have identified four pillars where we want to advance social, economic and environmental well-being and raise awareness through our experience as an insurance company and risk manager. With the focus on Safety, Financial Literacy, Environment and Community, we expand our commitments beyond cash donations and traditional corporate philanthropy and focus on engaging our employees through various volunteering activities.





# Economic

Our sustainable and profitable growth is based on our commitment to be the most reliable financial services provider. This commitment encompasses the thorough care of our customers as well as continuous engagement for financial inclusion.



## Customer Focus

A strong customer focus is at the heart of the overall Allianz strategy. We seek to be the most reliable partner for our customers, agents and business partners. Satisfied customers are more likely to renew their policies and refer friends and family members to us. Customer feedback is essential for monitoring satisfaction. Thus, we are able to continually improve our products and services to meet customers' expectations.

Our Market Management Department was set up to ensure the ongoing improvement of our customer and market orientation and centrality in a sustainable way. It embarks on Customer Focus initiatives to assess and improve products and services and to come up with innovative solutions to our customers' needs.

## Net Promoter Score

The Net Promoter Score ("NPS") is a measure of customer loyalty which has been established within the Allianz SE Group ("Allianz Group"). It serves as a regular measurement of a customer's willingness to recommend Allianz. NPS is applied on two segments:

Top-Down and Bottom-Up. Top-Down NPS is measured annually and benchmarks Allianz against relevant local peers. Bottom-Up NPS is used to measure customer satisfaction at various touch-points, such as during claims management, policy service and sales. It enables us to gain valuable insight into the experience of our customers and to better understand their expectations. Thus, we can continue improving our customer service and the processing of claims.

## Customer Loyalty

The loyalty of our customers is one of the key factors for our sustainable growth. 22% of the customers of Allianz Life Insurance Malaysia Berhad ("ALIM") hold two or more policies, to cater for their needs of protection and savings. At Allianz General Insurance Company (Malaysia) Berhad ("AGIC"), customers with two or more policies make up 43% of all customers.

Close to 40% of AGIC's customers renewed their policies after expiry. In the case of fire insurance, the renewal rate reached 92%. Customer loyalty is of key importance for us as it is our ultimate goal to be a trusted partner with a superior service culture and a strong customer value proposition.



### Value Added Service

Allianz is also constantly looking for ways to assist our policyholders further and provide value added services to our customers. One such service is the vehicle tracking and recovery system offered to comprehensive private car policyholders through a joint partnership between AGIC and Captor Retail Sdn Bhd since 2004. The effective tracking and recovery system helps recover stolen vehicles and, to-date, about 1,000 Allianz policyholders have installed the system in their cars. The system has brought relief to Allianz policyholders, as 65% of the vehicles which were fitted with Captor and reported stolen over the last three years were successfully recovered. Due to its success, Allianz also tied up with another company, BSmart Technology Sdn Bhd, in 2012 to offer similar tracking services to policyholders.

### Risk Mitigation

Managing risks is the core of our business as an insurer. We strongly believe in the practices of risk reduction and mitigation instead of purely risk transfer. Hence, we prefer prevention rather than cure, simply for the sake of our customers' safety, security and most importantly, the continuity of their operations and businesses. In this regard, we give risk mitigation advice to our customers.

Risk analysis consultation is provided by qualified employees with science and engineering backgrounds. They conduct property, engineering and project risk analysis on site for our customers. The main objective is to understand and appreciate the customer's



operations and most importantly, to assist or provide advice to the customer on any shortfalls identified, as far as the foreseeable risks or hazard exposures are concerned.

We analyse the information gathered and provide a product of our own, termed as Risk Improvement Recommendations ("RIR"). This assists the customer to re-engineer the risks or hazards identified to a level that is tolerable. Although the RIR is not uncommon to the global insurance industry, Allianz combines practicality, best risk management practices and its benefits for the customer, without merely taking commercial aspects into consideration.

### Service Transformation

At Allianz, we integrate Customer Focus behaviour in the DNA of our employees by embarking on service transformation initiatives. A series of Customer Focus trainings for all levels of staff started in 2012. 614 participants were trained on topics such as fair treatment of customers, Customer Service Charter, complaint management, digitization, data enrichment and customer service awareness.

With the Customer Service Charter we are setting the standard of our service delivery and the response timeline, which is published on our website. Furthermore, a well defined and documented complaint management process is in place to ensure all complaints are monitored, managed, escalated and reported within the stipulated turnaround time. Complaints and resolutions are further presented to Senior Management to drive service improvement.



Our Senior Management Team also conducts mystery shopping to experience firsthand the level of customer service provided by our employees at sales and service touch points. Our aim is to improve the quality of information and advice provided to customers. In addition, we conduct service calls to our customers and agents to assess their level of satisfaction with our products and services and to regularly gather feedback to drive organisational change.

In line with the requirements of the “Treat Customers Fairly Framework” of the Life Insurance Association of Malaysia, welcome calls are made to new life insurance policyholders, to secure their full understanding of the policy benefits and satisfaction with the services received.

## Digitization

The evolution of the digital world has changed the way customers are consuming media, searching for information or recommendations and buying products. At the same time, expectations about service levels are increasing. We are continually reviewing our customer service infrastructure to make sure that it reflects consumer trends and behaviours and that we remain connected with our customers and keep improving our service.



In order to provide adequate and fast response, we have embarked on various digitization projects that focus on increasing our service quality and modernising our communication channels. This includes the implementation of more automated processes and regular updates of the personal contact details of our customers.

With the increasing trend of internet-based and mobile-based services, customers expect information and services to be made available at any point in time. In response to these emerging technologies, we have increased our brand presence in digital and social media to attract and engage our customers and stakeholders in an interactive way. At the same time, we see this as an avenue to increase our brand loyalty.







The Allianz Malaysia Facebook page, which was first introduced to the social media sphere in July 2011, now hosts over 50,000 fans. We are one of the most “LIKED” insurance companies in Malaysia currently. Customers and fans are able to receive not only up to date news of the company and products offered, but are also able to engage with daily information bites and interactive contests. Besides, the page acts as another feedback mechanism where both positive and negative feedback is addressed. Our aim is to improve our relationship with customers as well as make our company more approachable to a tech-savvy generation.

In addition, we have developed the Retirement Calculator. This mobile application allows users to select different scenarios and, based on those decisions, allows them to take a glimpse into their future financial situation. The application has been downloaded by more than 1,600 users. Through this application, we hope to raise awareness on the necessity for future financial planning.

## Access to Finance

Allianz Group identified Access to Finance as a key global issue for its sustainable development. From a local context, we have designed the Retail Agent programme which encourages single parents to be insurance agents. The programme provides participants with technical and personal development trainings and equips them with the necessary knowledge and skills to be entrepreneurs in the insurance business. To make this programme more accessible, we are subsidising single parents on their agent entry exam fees.

With the Allianz Motorcyclist Personal Accident insurance, we covered 670,809 motorcyclists, catering especially to the rural areas of Malaysia, where insurance penetration is still low but the accident rate is high. Via our wide-reaching distribution channels, insurance protection is made possible at a lower cost to an underserved and hitherto unprotected target group.

Allianz was able to grow its total customer base to over 2.5 million in 2012.

# Environment

Climate change is a serious risk faced by the insurance industry, with disaster-related claims increasing in recent years. Allianz takes its environmental responsibility seriously and is committed to reducing its carbon footprint.



## Climate Change Strategy

The Climate Change Strategy of Allianz Group deals with the impact of climate change on both customers and its business.

Locally, we support this strategy by avoiding or reducing carbon emissions and substituting resources with lower-carbon footprint alternatives. Guidelines are in place to encourage a more sustainable attitude to the environment; for example, the Global Print Policy aims to reduce paper consumption; the Global Travel Regulation aims to avoid unnecessary business travel and promotes the use of lower-carbon footprint alternatives and the Global IT Sourcing and Procurement Policy advocates the purchase of energy-efficient IT hardware.



We recycled the equivalent of

**63**

20-year old trees  
in just 10 months

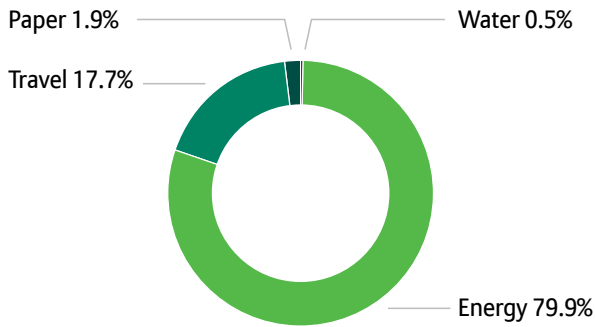
## Local Carbon Reduction Strategy

Allianz is escalating its national efforts to "go green". We have embarked on the following initiatives:

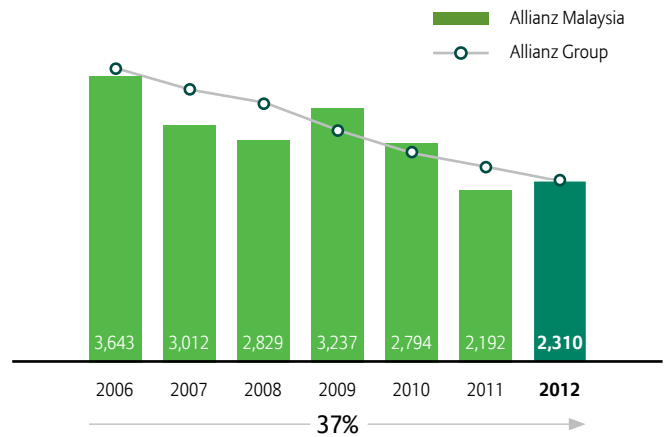
- Reduction of paper consumption through the digitization of processes. For example, only soft copies of meeting papers are disseminated to our Board and Senior Management Team. In addition, we have increased the use of email and web-based correspondence with our customers, agents and other stakeholders.
- Using climate-friendly alternatives for necessary business activities, for example, energy-efficient refittings at our branches which include switching to energy-saving lightbulbs and eco-friendly air-conditioning systems.
- Using energy-efficient IT solutions, for example, our data centre has a Power Usage Effectiveness measure of 1.57 in a tropical country. Based on the Uptime Institute Data Centre survey in 2012, the global average reported was between 1.8 and 1.9, which means that we use less energy than average.
- Implementation of a recycling bin initiative in our Head Office since June 2012. In total, more than 3,700 kg of paper was recycled.

The allocations of our CO<sub>2</sub> emissions in 2012 shows that energy consumption and business travel are the main levers for reducing Allianz' carbon footprint further.

#### Allocation of CO<sub>2</sub> emissions in 2012



#### Relative CO<sub>2</sub> Emissions (kg per employee) 2006 – 2012



#### Allianz Group Target

Allianz Group set a target to reduce the carbon emissions per employee by 35% by 2015 against a 2006 baseline. The scope of the carbon footprint includes energy used to operate our buildings and IT equipment; business travel by air, car and train; paper used and waste generated from our day-to-day operations; and water used in our buildings.

Given that energy usage is the largest contributor to our carbon footprint, the Allianz Group has also set a specific energy target to support the overall carbon reduction target by 2015 - to reduce energy consumption per employee by 10% measured against a 2010 baseline.

In Malaysia, since 2006, we have monitored and reported our energy, paper and water consumption as well as our business travel via the Group-wide Environmental Management System ("EMS"), a system introduced by Allianz Group to ensure transparency in environmental performance and support systematic environmental data collection and control. In 2012, we saw a slight increase in our emissions to 2,310 kg per employee as compared to 2,192 kg per employee in 2011. The increase is due to significant business expansion. However, 2012 also saw the renovation of 7 of our branch offices which involved energy-efficient refittings and we are certain that the investment we make in these refittings now will bear fruit in carbon emission reduction in future. Overall, we are still on track to achieve our Group target, with an overall reduction of 37% against our 2006 baseline.



Climate Change is an important topic for Allianz. In 2012, we added renewable energy into our insurance portfolio. This is just one way that Allianz is preparing for a carbon neutral future.

## Social

Our sustainable success as a company depends on the commitment and skills of our staff. In Malaysia, we employ more than 1,700 people across the whole country. Our business strategy requires the best people in place to deliver success today and over the long term. We also take our responsibility to society seriously. By offering skills, experience, time and money, we strive to advance social well-being in our local communities.

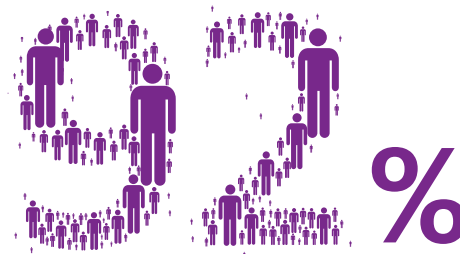


Equally important are the discussions between managers and employees about the annual survey results as well as deciding together on actions to address areas for improvement. All Heads of Department and Branch Managers are required to develop action plans to address the findings of the survey. Overall, 82% of our employees responded favourably to the leadership culture at Allianz.

### Employee Engagement

In a people-oriented business like financial services, engaged employees bring competitive benefits such as an improved performance culture, greater integrity and better customer focus. Through the annual Allianz Engagement Survey, employees are encouraged to provide open and honest feedback on factors that affect their level of engagement with Allianz. These factors include various dimensions such as leadership behaviour, employer attractiveness, performance and compensation and customer focus.

A local participation rate of 97% in the 2012 Allianz Engagement Survey shows that our employees are interested in providing feedback to the management on its managerial quality and areas for improvement. The Employee Engagement Index ("EEI") is a key measure of employee satisfaction, loyalty and pride within the organisation. Allianz achieved a favourable number of 83% positive responses for the EEI. In addition, 92% of our employees stated that they are proud to work for Allianz and 91% are satisfied with the actions our company is taking to be socially responsible.



**92%**  
of employees say they are proud  
to work for Allianz

### Diversity

Allianz does not tolerate discrimination or harassment in the workplace based on criteria such as age, disability, ethnic origin, gender, race, political attitude or workers' representative activities, religion or sexual orientation. We recruit according to the skills, talent, character and abilities of a person. Allianz appointed its first female Independent Director, Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, in November 2012. She has an excellent service record in the public





and private sectors as well as at international level and is currently an Executive Director of the Non-Aligned Movement Institute for the Empowerment of Women Malaysia.

We are proud to say that out of our 1,706 employees, 1,155 are women, which represents 68% of employees in Allianz. Women employees also exceed the number of men in managerial positions at 55%, while 12 of our branch managers are women. At top management level, 28% of positions are held by women.

Given that we have a large female workforce, we conducted a City Survival Training in December 2012 exclusively for our female staff with the objective of equipping our women employees with simple but effective skills to prevent harm and reduce their risk of falling victim to crime. With a total of 89 participants, the training received excellent feedback.



## Managing Talent and Careers

In Allianz we want to offer careers, not just jobs. We believe that regular dialogue on professional development between managers and employees at all levels of the business is essential for career and talent development. A development review is part of our talent development process and involves looking at an individual's competency, skills, experience, performance and potential.

In the effort to establish a more transparent and structured process for managing career development, we have put in place a Career Development Manual ("CDM") which provides our employees with a better understanding of the expectations and requirements for jobs and functions at Allianz. It is designed to show career growth opportunities within the same or across different job families as well as the technical and behavioural competencies required for career development at each stage.

In 2012, our focus in Talent Management was to build a systematic approach of identifying the talent pipeline for key senior management and critical positions in the organisation. Our Senior Management team attended a Talent Development workshop in June 2012 to have a better understanding of the Talent Management approach.

Following on from the workshop, our Human Resources Department and the Senior Management team actively engaged in identifying potential successors and key talents of the Organisation. About 170 key talents have been identified in Head Quarters. Our first local Career Development Conference was held in December 2012 with the theme "Evaluating Our Talent Pipeline". The next steps are to document the development action plan for all the key talents.

To attract new talent, Allianz implemented an Employer Branding initiative through campus talks and career fairs in major public and private universities. The purpose is to introduce Allianz to students. Specifically, we brief students on our Internship Programme, Management Associate Programme and various career opportunities, thus ensuring that we recruit the best for our future.

Moving forward, we will continue to actively look into and manage our talent pipeline and focus on developing and retaining our best people.

## Learning and Development

A high performance culture is one of our core values and we recognise that having a competent and dedicated staff force is a key contributor to making such culture a success. We believe that by providing a learning and motivation platform where learning is made an enjoyable yet edifying and rewarding experience, we will be able to continually increase our employees' level of competence and capabilities.

In 2012, more than 76% of our employees attended at least one training session. Up to March 2013 a total of RM1,373,652 was invested in the development of our employees.

The Allianz Academy was launched on 6 July 2012 as a platform with the aim of catering for the learning needs of our employees through a structured development programme, where learning is made fun and interesting. In addition to providing training to employees, an internal pool of experts and trainers will also be developed, who will then

impart their knowledge and help employees translate learning into business results to support the overall business goals and strategies of Allianz.

To date, Allianz Academy has conducted many training programmes covering the four identified learning pillars to capitalise Technical, Sales, Service and Leadership aspects. They include Business Development Manager trainings, Retail Agents' training, Customer Service Transformation training, training in technical knowledge of General and Life insurance, Allianz Core Competency and Talent Management for employees, the Brown Bag Lunch series, Learning from Movies and leadership programmes for Management Associates.

For the year 2013, besides the ongoing courses from 2012, there will also be several new leadership training programmes for managers of all levels, non-managers and also high potential candidates.

New fun learning modules such as learning through board games, Biz Coffee (for senior managers) and a Knowing Allianz series will be included.

As strong product and technical knowledge of our staff is of utmost importance to enable us to deliver excellent professional customer service, we enhanced the study and exam benefits for the professional insurance courses of The Malaysian Insurance Institute ("MII") to encourage more employees to enrol for the exams. The benefits include full and part sponsorship of course fees and a total of 12 days leave per annum for exam and study. Following these enhancements,



### Launch of Allianz Academy

More than 600 employees from the Head Office and Klang Valley branches gathered at Menara SSM in KL Sentral to be part of the launching by Jens Reisch, CEO of ALIM; and Zakri Khir, CEO of AGIC. After the launch, employees went through experiential learning based around four pillars: Technical, Sales, Service and Leadership aspects. In addition, there were also other fun learning activities i.e. mini Brown Bag Lunch and Learning from Movies sessions. Employees were able to get an insight into the different training programmes on offer by the Allianz Academy and to break the stereotype that learning is boring!

we saw a surge in the number of staff enrolments for the MII exams which now exceeds 100 enrolments. This certainly augurs well for the personal professional development of staff as they would be equipped with the necessary skills and knowledge in order for them to carry out their tasks efficiently and professionally in the workplace.

## A great place to work

At Allianz, we value a working relationship that is long-term and built on trust. Our Loyalty and Silver Jubilee Awards recognise the dedication and commitment of our employees. Employees receive a cash award upon reaching a consecutive period of 10 years service and more. In 2012, a total of 132 employees were rewarded for their long service with the company. A low staff turnover rate of 8.6% as compared to previous years (10.7% in 2011 and 12% in 2010), indicates as well that we are increasingly successful in offering a good workplace environment and in retaining our skilled staff.

To promote open and transparent communication, Allianz organises quarterly Townhall meetings for our employees nationwide. During these meetings, employees are given the latest corporate, financial and Company performance updates, plans and strategies. Apart from keeping employees informed, the meetings also aim to motivate and instil better work culture among our employees.

Our new staff members are also inducted into this culture of open and transparent communication. The purpose of the orientation training is to welcome and integrate newcomers to Allianz. During

these sessions, new employees are given an introduction to Allianz, briefed on existing policies, codes of conducts and guidelines and made to understand the performance management system. This is to ensure that they are clear of their roles and responsibilities from the moment they join the Company.

Furthermore, we see it as our responsibility to provide a healthy and safe work environment for our employees. In 2012, we embarked on various initiatives with the aim of promoting employees' health and well being.

The Safety and Health Committee is present in our head office and at branch offices to ensure employee safety at the workplace. Since 2010, the Allianz Medical Card was introduced, offering our employees free health screens at panel clinics as well as Inpatient and Outpatient coverage to our employees and their dependants in need of medical treatment.



In our continuous effort to promote health and wellness to our employees, we organised our "Allianz Health Day" together with Beacon International Specialist Centre on 13 September 2012, where employees were given a health briefing by a specialist followed by various health checks and tests.

In 2012, Allianz sponsored 350 staff and agents to participate in the Standard Chartered KL Marathon on 24 June 2012. Besides that, Allianz continued its partnership with the Penang Bridge International Marathon Committee in 2012 as a title sponsor for the Allianz Penang Bridge International Marathon for the second year running. The Committee is set up and appointed by the Penang State Tourism Development and Culture Office of the State Government of Penang. APBIM took place on 18 November 2012 with over 34,500 people participating from all around the world. Out of this number, over 1,200





participants were from Allianz, with Allianz Group colleagues from Germany, Indonesia and Singapore joining us. Running as a sport is clearly gaining traction as Allianz participation increased by 50% compared to the previous year's figure of 800 Allianz participants.

To further strengthen the work-life balance of our employees, we have a Flexi-Hour work arrangement in place. The initiative aims to provide flexibility to our employees in managing rush hour traffic as well as their personal or family needs.

## Corporate Volunteering

For Allianz, social engagement is a key part of our corporate responsibility. Through our focused activities, we aim to bring benefits to local communities by sharing our know-how, skills and experiences to tackle social challenges as well as create a positive impact for our business.

Corporate Volunteering provides an opportunity for us to give back to society and at the same time help to create awareness for societal issues among our employees. In 2012, we significantly increased our volunteering activities under Allianz4Good. Now we engage over 500 volunteers, above 30% of our current workforce. Collectively, through our road safety advocacy campaigns and My Finance Coach activities, a total of 2,732 business hours were dedicated to giving back to society. To govern this, we have developed a Volunteering Policy to conduct our volunteering activities in a systematic way.



Allianz' involvement in corporate responsibility has not been confined to solely internal projects. As part of our efforts in raising awareness, we also share our knowledge and best practice with others. For example, we presented at the Corporate Responsibility Conference, organised together with the Malaysian-German Chamber of Commerce ("MGCC"), where companies, Non-Governmental Organisations and social organisations were brought together to discuss the topic of sustainability.



We held our first Volunteer Appreciation Dinner in January 2013 to recognise and award volunteers for their consistent and dedicated efforts in 2012. The event in particular recognised Finance Coaches who taught two or more classes and Road Safety Ambassadors who volunteered three or more times in the year. For 2012, 16 Finance Coaches and 8 Road Safety Ambassadors were awarded. Apart from that, it was also a good occasion for employees to mix and mingle in an informal setting and to share their experiences.





## Road Safety

Reducing risks is the core of Allianz' business as an insurance company. Being one of the top motor insurers in the local market, we believe it is important for Allianz to educate the public on road safety and play a pivotal role in creating safety awareness. Allianz signed a three-year Memorandum of Understanding with the Road Safety Department of Malaysia ("JKJR") in 2011 to jointly advocate road safety among Malaysians. This partnership allows for knowledge sharing and dialogues which help us to develop more effective road safety strategies. We support JKJR's Zero Fatality Vision to reduce the national road accident fatality rate, which currently stands at 3.05 per 10,000 registered vehicles.

Year	2007	2008	2009	2010	2011	2012
Fatalities	6,282	6,527	6,745	6,872	6,877	6,917
Fatality Index per 10,000 registered vehicles	3.73	3.63	3.55	3.40	3.21	3.05

Source: Royal Malaysian Police Force

As part of this cooperation, Allianz employees are trained as Road Safety Ambassadors by JKJR, a total of 416 to date. In the training, they are taught about the most common causes of road accidents and are given advice on safe driving behaviour and how they can play a role by reporting bad road conditions as well as how to respond to road accidents. They are expected to lead by example and to be safe on the road as well as contribute actively to our Road Safety Advocacy Campaigns.

These campaigns are held jointly by JKJR and Allianz nationwide, with a focus on motorcyclists, who record the highest road fatality rate in the country. At these campaigns, our volunteers and relevant road safety authorities engage with passing motorists by advising them on proper road safety behaviour.

Specially designed reflective stickers made out of visibility enhancing material are stuck on to motorcycles as research has shown that these

stickers can significantly increase the night visibility of motorcyclists. Additionally, buckle-up reminder stickers are given out to stress the importance of using securely fastened helmets. Unsafe helmets that are too old or do not conform to safety standards are exchanged with new ones for free during the course of the Road Safety Advocacy Campaigns.

In 2012 until the end of March 2013, over 24,600 reflective stickers, and around 1,800 helmets were distributed at 38 Road Safety Advocacy Campaigns across Malaysia. 546 reflective windbreakers were distributed to university students and employees.

To promote child safety while travelling in a vehicle, over 18,000 child safety booster seats were distributed to our employees and to the public. The seat is designed to boost the child's sitting height so that the safety belt does not restrain the neck of the child. The booster seat will thus help to secure a child while travelling in a vehicle seat equipped with a 3-point seat belt.



### Allianz Drive Safely Campaign

To raise awareness and understanding of road safety issues around the world, Allianz works with many partners, including Formula One™ (“F1”), the Road Safety Fund by the Fédération Internationale de l’Automobile (FIA) Foundation, Decade of Action for Road Safety 2011-2020 and JKIR.

Allianz Group has been linked to F1 since 2000. In 2007 Allianz Group focused its communications to highlight and develop an understanding of road safety issues amongst the global F1 audience. In the following year Allianz became the Official Global Partner of F1 and has since increased branding with emphasis on the aspect of safety. In 2010, Allianz sponsored the Official F1 Safety Car and Medical Car. In 2011, Allianz also became the safety partner for MERCEDES AMG PETRONAS F1 Team. As part of the team partnership with the MERCEDES AMG PETRONAS F1 team, Allianz explicitly decided not to position its branding on the car, instead choosing this as an opportunity to highlight safety devices like safety belts, race overalls and the Head and Neck Support Device (HANS). In addition, team members, including drivers, provide exclusive F1 insights as well as their personal safe driving advice through the Allianz Drive Safely website and communications programmes.

In line with the Allianz Group’s effort to promote and deliver the “Drive Safely” message, Allianz activated F1 beginning 1 March 2013 locally and rolled out an internal Drive Safely contest among employees. Road shows were also organised to promote the “Drive Safely” message to the public.



### My Finance Coach

Having a solid grasp of financial knowledge enables people to make sound financial decisions and reduce risks. As a financial institution, money management is our people’s strength. We harness this asset by passing on our knowledge to society.

In 2012, Allianz embarked on the My Finance Coach (“MFC”) programme, a financial education programme for young people (11-18 years). The programme is overseen by the non-profit My Finance Coach Foundation with its head office in Germany. Since the inception of the programme in 2010, it has been recognised by the German United Nations Educational, Scientific, and Cultural Organization (“UNESCO”) Committee as an official project of the United Nations Decade of Education for Sustainable Development.

Under the MFC programme, employee volunteers are trained as Finance Coaches who teach classes on financial topics in schools and Non-Profit Organisations. The materials are developed under the guidance of education and economics experts in Germany, then localised for the Malaysian context.

Before teaching, all Allianz volunteers are required to sign and adhere to a Code of Conduct which strictly prohibits any commercial activity in classes and also emphasises respect for the rights of children. Thus far, 155 Allianz employees have signed up for the programme with 112 trained and over 50 having taught a class.

In just over a year, Allianz has reached over 700 students, including hearing-impaired students, deaf participants of a financial fair, street children in the non-profit Chow Kit Foundation, employees’ and agents’ children and students from various schools in Klang Valley. Allianz



engages a range of organisations as it believes financial inclusion is an issue for a varied and diverse population.

Since 2012, we have signed a Memorandum of Understanding with the My Finance Coach Foundation which oversees the overall implementation of the MFC programme worldwide. Through this partnership, we are able to use the MFC materials and methodology and are also part of a broader international MFC network. The MFC programme is carried out with the permission of the Malaysian Ministry of Education. Allianz also works with Bank Negara Malaysia under its School Adoption Programme to reach out to 3 schools under its purview. In 2013, Allianz is partnering with the Federation of Malaysian Consumer Associations ("FOMCA") in support of FOMCA's National Consumer Day competition, whereby it conducts outreach programmes across schools in Malaysia over a period of 6 months.



**of students said that they learned something new about money and finance from MFC**

Allianz will be joining FOMCA on these outreach sessions through MFC classes, which will also be taught at these schools, most of them in a rural setting.

In December 2013, Allianz took part in Child and Youth Finance International ("CYFI")'s Asian Regional Summit held in Manila, Philippines, as part of a panel speaking on "Drafting, Developing and Implementing Child and Youth Finance: Programmes and National Strategies" and talking specifically on the rollout of MFC in the region. This affiliation with CYFI has led to the active support for and participation in Global Money Week 2013.

Allianz will roll out MFC in branch offices this year, with its first class outside the Klang Valley held for agents' and employees' children in Kota Bharu in December 2012.



## Global Money Week 2013

From 15 to 21 March 2013, organisations from more than 50 countries across continents participated in Global Money Week 2013 to raise awareness on financial education among children and youth. Allianz joined the celebration by conducting MFC classes in CUED Speech Centre, a school for the hearing impaired, as well as in SK La Salle Brickfields 1, where we hosted a video call with children in Brunei and the Philippines. We also organised a visit to Bank Negara Malaysia's Museum and Art Gallery for our employees' children. Moreover, we held a financial literacy outreach programme in Kota Bharu, Kelantan, over 2 days where children had the chance to win prizes if they participated in a financial literacy quiz and crossword competition.



## Social OPEX

Social OPEX is an Allianz Group leadership development and employee volunteering programme which combines Allianz Group's internal quality approach - namely OPEX ("Operational EXcellence") - with employee engagement in the social sector. It aims to share our employees' know-how and business skills with socially-committed organisations.

Allianz carried out its second local Social OPEX project, this time with the social organisation Selangor Cheshire Home ("SCH"). Established in 1963, SCH provides residential care for residents of all races and religious backgrounds, who are permanently disabled and with little means and resources. Under the project, the Allianz Social OPEX team worked together with the SCH team to address their specific organisational and operational challenges, such as the restructuring of their organisation and the donation appeal and donor acknowledgement process. Applying the OPEX methodology, the team then spent a week at SCH brainstorming, analysing and finally providing practical solutions. Both parties benefit from this arrangement as they are able to share experiences and best practices.

## Corporate Giving

Corporate Giving plays an important part in community development and is part of our role in civil society. We are guided by Allianz Group's Global Donation Guideline and Principles of Social Engagement when considering Corporate Giving activities to ensure that such activities are carried out in a transparent manner and are able to generate long-term sustainable value to society and our stakeholders.

## Integrity Check for Non-Profits

In 2011, we streamlined our corporate giving processes to strengthen our profile as a responsible Corporate Citizen.

Similar to the Vendor Integrity Screening (→ Governance), the Allianz4Good Department applies an "Integrity Check for Non-Profit/Non-Governmental Organisations" to all potential partners from the social sector. The overall aim is to ensure that Allianz' social commitments are on par with the high ethical and legal standards of our business dealings.

## Disaster Response

A disaster is an unforeseen and often sudden event that causes great damage, destruction and human suffering. As an insurance company, we are well aware of the economic implications arising from them. When natural disasters occur, many of our employees show a desire to help. Through our international partnership with the International Federation of Red Cross and Red Crescent Society, we have been able to carry out local collection drives to contribute to humanitarian relief on an international scale.

## Charity at Heart

Allianz understands the importance of supporting health in the community. In 2012, we organised 2 blood donations drives, one at our Kuala Lumpur Branch and another as part of an Allianz outreach programme in Kota Bharu.



## Celebrating 10 Years in Malaysia

Our 10th anniversary events included charity runs, charity dinners, and visits to underprivileged homes, treasure hunts and fundraising carnivals with the aim of giving back to the society we live and work in.

Themed "10 years in Malaysia – Allianz4Good", the fundraising activities saw the participation of Allianz employees and their families as well as business partners and the general public.

A total of RM 453,018 was raised and channelled to over 29 charitable organisations.

The year 2012 was special to Allianz as it marked our presence in Malaysia for 10 years - a significant milestone for Allianz since it began operations here in 2002. We celebrated the anniversary by organising a series of charity fundraising events nationwide. At the same time, we formally introduced Allianz4Good, our CR brand, strongly encouraging employee engagement in corporate responsibility activities.

### Persatuan Mobiliti Selangor & Kuala Lumpur

Persatuan Mobiliti Selangor & Kuala Lumpur ("MOBILITI") is a charitable organisation that was set up to provide door-to-door transport for wheelchair users within the Klang Valley and has been sponsored by Allianz since 2006. In 2011, we increased the sponsorship from 3 vans to 4 vans and continue to sponsor MOBILITI. In addition, Allianz also provides free motor insurance for all the sponsored vans and in 2013, Allianz also provided free Driver and Passengers Personal Accident insurance for the 4 sponsored vehicles.

The vans are specially modified with hydraulic lifts and a wheelchair restraint system that enables passengers to travel comfortably around the Klang Valley. Our sponsorship of these vehicles covers operational costs which include fuel, toll and maintenance.

More than 1,000 passengers are registered with MOBILITI. In 2012, MOBILITI helped wheelchair-bound Malaysians make about 8,000 trips.

### KidZania

2012 saw Allianz start the year with a unique partnership with KidZania through the signing of a Memorandum of Understanding with Themed Attractions. Allianz is the first insurance company in the world to have its presence in KidZania. KidZania is an indoor educational

and entertainment theme park that is scaled down to child's size and which has its own economy. Our involvement in KidZania helps us teach a younger generation about the basics of insurance. As a partner of KidZania, we have an Allianz establishment in this little makeshift city for children to work in or buy KidZania insurance policies. With this venture, we hope to play a role in exposing and teaching children the importance of insurance in an interactive way.

### Allianz Junior Football Club

Football is an international language that enables Allianz to engage and connect with our customers. The Allianz Junior Football Camp is a global sponsoring platform capitalising on FC Bayern and Allianz Arena to drive brand awareness. The camp offers aspiring teenagers between 14-16 years old a chance to win a fantastic 6-day football adventure to Munich, Germany where they get the opportunity to practice with FC Bayern youth coaches, are invited to a meet and greet session with football superstars and visit the Allianz Arena as well as do some sightseeing in Munich. The Allianz Junior Football Camp has been a real success since its launch in 2009 with an annual increase in the number of participating countries. In 2012 alone, over 60,000 applications from over 100 countries were received.

2012 saw Allianz Malaysia participating for the first time. We received over 1,200 applications despite the limitation of having the camp just in Selangor. Out of these, about 500 aspiring teenagers turned up for the trial matches and the final two winners were selected for the trip to Munich, Germany to attend the fourth international Allianz Junior Football Camp. The winners were handpicked by a panel of judges led by the former national footballer K. Gopalan. We hope this platform will help to fuel their passion and aspiration to be great football players.



# Governance

We believe that responsible corporate governance sets the foundation for sustainable business performance. With this in mind, various corporate governance practices have been implemented in Allianz to ensure that our business is conducted in a transparent manner with full accountability and integrity.



We recognise the importance of sound internal controls in safeguarding our assets and our shareholders' investments. We have accordingly established various internal controls in the areas of risk management, finance, operations and compliance. Below, we would like to highlight some of the corporate governance practices that have been implemented at Allianz.

## Compliance Management System

The compliance management system forms part of our internal control system to ensure compliance with local and internationally recognised laws, rules and regulations to promote a culture of integrity and safeguard our reputation.

As part of the compliance management system, we participate in Allianz Group's Anti-Corruption Programme which aims to further enhance internal anti-corruption controls. The following initiatives are implemented locally:

- The Anti-Corruption Policy which outlines the existing controls and behavioural guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments;
- The Anti-Fraud Committees were set up by the insurance subsidiaries to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy, which defines fraud events, the investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees, has been put in place to assist the Anti-Fraud Committees. The Anti-Fraud Committees are also

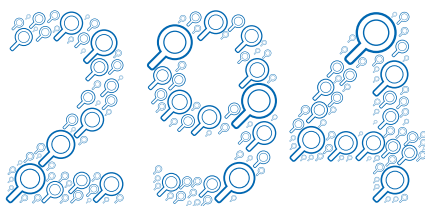
responsible for all fraud investigations and ensuring that necessary remedial actions are taken to mitigate the recurrence of fraud;

- Anti-Money-Laundering and Counter Financing of Terrorism ("AML/CFT") Policies and Procedures were established to prevent and detect money laundering and terrorism financing activities. These encompass customer due diligence, screenings against sanctions lists and reporting of suspicious transactions to the Compliance Department. In respect of education, staff and agents are continuously trained on AML/CFT requirements to ensure they are aware of their fundamental responsibilities in adhering to the procedures of verifying customers' information and reporting of suspicious transactions. Last year, 87% of our employees participated in the online AML/CFT training;
- The Vendor Integrity Screening process ("VIS") aims to ensure a proper integrity due diligence before any vendor is engaged. The screening contains a self-assessment section for the potential vendor and a risk evaluation to be completed by the Allianz staff in charge. If the screening does not reveal any negative or adverse findings on the vendor, a contract may be concluded with the said vendor which incorporates, amongst others, an anti-corruption clause. 294 suppliers have been screened and this list is compiled into a Central Vendor Directory to facilitate the ongoing monitoring of all vendors with a contractual relationship with Allianz;
- The Related Party Transaction ("RPT(s)") Review Procedure ensures that RPTs are undertaken on arm's length basis, are consistent with our usual business practices and policies, are not more favourable to the related parties and are not to the detriment of minority shareholders. To serve this purpose, a Due Diligence Working Group was formed to review any occurrence of RPT and to submit their recommendations to the Audit Committee and ultimately, to the Board of Directors for consideration;





- The Gifts and Entertainment Policy sets out the minimum standards for gift and entertainment handling to and from clients, business partners, government officials or relevant persons. It aims to avoid any issue of conflicts of interest or threat to our professional independence;
- Our compliance management system provides an avenue for whistle blowing. The whistle blowing system was implemented to enable our employees to confidentially alert the Compliance Department about any irregularities. Such complaints or concerns may be made anonymously. Having this system in place promotes transparency and accountability throughout Allianz.



## suppliers have undergone the Vendor Integrity Screening process

### Business Ethics

Integrity is one of our core values and we are committed to practising the highest ethical standards, in the conduct of our business. While surveyed, 91% of our employees felt that Allianz has a high level of integrity.



Our employees are required to adhere to various guidelines and policies which set the standards for business conduct covering the topics, inter alia, non-discrimination and harassment, dealing with confidential information, insider trading, external communication, conflicts of interest, anti-corruption and bribery, gifts and entertainment and protection of our property and natural resources. In addition, they are also required to make an annual declaration that they fulfil the minimum criteria of "A Fit and Proper Person" as prescribed in Part XII of the Insurance Regulations 1996.

A Code of Ethics for Senior Financing Professionals is also made compulsory for our Senior Management and certain departments, primarily in the financial area. It governs ethical and proper conduct in both the private and professional spheres, particularly relating to the handling of conflicts of interest and corporate disclosure.

Employees of our insurance subsidiaries are also required to adhere to the Codes of Ethics issued by the Life Insurance Association of Malaysia and the General Insurance Association of Malaysia respectively.

Our stance on ethical practices is not just applicable to our employees; we also make it compulsory for our agents to comply with the Sales Policy and Sales Agent Code of Conduct to ensure professional and fair sales conduct while dealing with our customers. Agents who do not abide to the Sales Policy and Sales Agent Code of Conduct are dealt with by the Ethics and Compliance Committee.

In March 2012, we had established a Fit and Proper Policy and Procedures for Key Responsible Persons to assess the fitness and propriety of Directors and Key Responsible Persons.

For more information on our Corporate Governance practices, please refer to the Corporate Governance Statement and the Statement of Risk Management and Internal Control presented on pages 88 to 109 of the Annual Report.

# 1

*One thing I know for sure:  
Always trust someone who  
cares for you*

At one point or another, life will bring us to an unexpected twist. I never thought that I would be diagnosed with cancer, but when I was, I was thankful to my agent. She was the one who advised me to always plan for the unexpected. Before being diagnosed I bought several policies from Allianz. Upon being diagnosed, I was assured that my medical bills were taken care of by Allianz and I could focus completely on recovery. Today, I am completely recovered and living my life to the fullest. Thank you Allianz.

## Protection

### Enhanced MediCover

**No annual limit**

allowing you to claim up to lifetime limit while you focus on your recovery.

**No claim reward**

that gradually increases your room & board limit if you do not make any claims.

### HealthCover & HealthCover Enhancer

**Extra Cover for Cancer**

right from the start - from carcinoma-in-situ to late stage cancer.







Mr. Yap Wing Hoe  
Allianz customer since 2007

# 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 Bin Ismail (Member)	Independent Non-Executive Director
Tan Sri Datuk (Dr.) Rafiah Binti Salim (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 Allianz Malaysia Berhad ("Company") and shall act as the AC for the Company and its subsidiaries (collectively referred to as "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 Bank Negara Malaysia ("BNM") within 2 weeks. The notification should be addressed to Pengarah, Jabatan Penyeliaan Insurans dan Takaful ("JP3"). The Board should fill the vacancy/vacancies within 3 months.
- 1.4 Notification should also be provided to JP3 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 shall comply with the criteria for independent director as prescribed by BNM and Bursa Malaysia Securities Berhad ("Bursa Securities").

### 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 Group 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; or
  - (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 First 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 First Schedule of the Accountants Act 1967; or
  - (c) fulfils any of the following requirements or the requirements as prescribed by Bursa Securities including any amendment that may be made from time to time by 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) a member of any professional accountancy organisation which has been admitted as a full member of the International Federation of Accountants and at least 3 years' post qualification experience in accounting or finance; or
    - (iii) 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 No alternate Director shall be appointed as a member of the AC.
- 3.4 In addition, in view of the important role of the AC in ensuring that there are adequate checks and balances within the operations of the Group, all AC members, either individually or collectively, are also expected to be familiar with areas included in the scope of internal insurance audits, including risk management, underwriting, investment and claims management.

#### **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 function. Fraud and irregularities discovered by Management should be referred to the Anti-Fraud Committee or internal audit function, where applicable, 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 should have direct communication channels with the external auditors and person(s) carrying out the internal audit function and activity.
- 4.6 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.
- 4.7 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 Group, 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 company 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 function 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 effectiveness of the internal audit function;



- (c) ensure the effective organisation of the internal audit function, with due regard to the professionalism, capacity and competence of the internal audit personnel;
- (d) review and approve the audit plan and budget required under Part B of BNM/RH/GL 013-4: Guidelines on Internal Audit Function of Licensed Institutions ("Guidelines on Internal Audit Function");
- (e) review the audit charter prior to the same being presented to the Board for approval;
- (f) 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;
- (g) ensure that the internal audit function is independent of the activities it audits and that the internal audit function reports directly to the AC; and
- (h) establish an appropriate mechanism to address and managing situations where there is a threat to the objectivity of the internal audit function.

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 Group'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 on Internal Audit Function to determine the frequency and scope of audits, having regard to the nature, size and complexity of the Group'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 the Group's 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 that the internal audit function has adequate and competent resources, given the size and complexity of the Group's operations. In this respect, the AC should:-

- (a) Approve the appointment, remuneration, performance evaluation, transfer, dismissal and redeployment of the Chief Internal Auditor and senior officers of the internal audit function;
- (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; and
- (c) Ensure that the compensation scheme of the internal audit function is consistent with the objectives and demands of the internal audit function.

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 Group or any other entity that may impair or appear to impair the external auditors' judgement or independence in respect of the Group. This may include affiliations resulting from the Group's employment of former employees of the external auditor in senior positions within the Group;
- (b) review and assess fees paid to the external auditor, considering:-
  - the economic importance of the Group (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 be 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 Group;

- (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 JP3 within 2 weeks of the Board's decision;
- (d) Review and report to the Board, any letter of resignation from the external auditors of the Group;

- (e) Review and report to the Board, whether there is reason (supported by grounds) to believe that the external auditor of the Group is not suitable for re-appointment; and
- (f) Recommend the nomination of a person or persons as external auditors.

#### 6.2.2 Provision of non-audit services by the external auditor

- 6.2.2.1 Any provision of non-audit services by the Group'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 BNM/RH/GL/003-4: 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 BNM 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 and year-end financial statements, 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;
- the corporate governance disclosure made pursuant to the requirements of BNM and Bursa Securities and be satisfied that any departure from such requirements 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 the Group's AML/CFT measures. At the minimum, the AC should:-

- ensure the roles and responsibilities of the internal 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 on AML/CFT; 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 Group;

(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 and Anti-Fraud 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 insurance subsidiaries comply 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;
- (i) ensure that supervisory issues raised by the BNM are resolved in a timely manner; and
- (j) ensure that the terms and scope of the engagement, the working arrangements with the internal auditors and reporting requirements are clearly established, if external experts are appointed to perform audit of specialised areas.

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 BNM/Bursa Securities

- 7.1 The AC shall submit to the BNM, 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 BNM pursuant to principle 18 of BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers.
- 7.2 Where the AC is of the view that a matter reported by it to the Board had not been satisfactorily resolved resulting in a breach of the 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 2012. The detailed attendance of the existing AC members during the financial year ended 31 December 2012 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 Bin Ismail	5	3	60
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	Not applicable*	Not applicable*

Note:

- \* Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member of the AC on 23 November 2012. There was no AC Meeting held following her appointment as member of the AC.

## SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2012, 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 2011, 31 March 2012, 30 June 2012 and 30 September 2012 and recommended the respective unaudited consolidated quarterly reports of the Group for the Board's approval.
2. Reviewed and recommended for the approval of the respective Boards of the insurance subsidiaries, the unaudited interim financial statements of the insurance subsidiaries for the half-year period ended 31 December 2011 and 30 June 2012 respectively.
3. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the respective audited financial statements and Directors' Reports for the financial year 2011.
4. Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the audited financial statements and the performance report to fund holders for its investment-linked funds for the financial year 2011.
5. Deliberated the updates on the Management's action plan of the insurance subsidiaries in response to BNM's Letter on Review of Business Practices in the Appointment of Panel Firms.
6. Reviewed the BNM's observations in respect of the 2011 supervisory review conducted by BNM on the insurance subsidiaries and the responses and action plans of the Management of the general insurance subsidiary in respect thereto and recommended the responses and actions plans to the Board of the general insurance subsidiary for approval.
7. Deliberated the letter dated 3 May 2012 issued by BNM to the AC Chairman on the supervisory expectation on AC pertaining to appointment/re-appointment of External Auditors.
8. Deliberated the updates on the follow up actions in respect of the 2010 and 2011 supervisory review by BNM on the insurance subsidiaries.
9. Reviewed the revised Guidelines on Financial Reporting for Insurers issued by BNM.
10. Reviewed the financial implications of the convergence of the Group's accounting policies to Malaysian Financial Reporting Standards ("MFRS") issued by Malaysian Accounting Standards Board.
11. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the special audit fees to KPMG for the review of the adoption of MFRS.
12. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the audit fees for the financial year 2012.
13. Reviewed and recommended for the approval of the Board of the general insurance subsidiary, the appointment of the engagement partner of KPMG for its financial year 2012 statutory audit.
14. Prepared and submitted to BNM, the annual AC Reports in respect of the internal control environments of the insurance subsidiaries for the financial year 2011.
15. Reviewed the annual audit results of the Group and the Management Letters issued by the External Auditors in respect of the annual audit of the insurance subsidiaries for the financial year 2011 and recommended for the approvals of the respective Boards of the insurance subsidiaries, the respective Management's responses in respect thereto.



16. Reviewed and recommended for the approvals of the respective 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 2011.
17. Reviewed the audit plan of the External Auditors for the Group for the financial year 2012.
18. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the re-appointment of the External Auditors for the financial year 2012 and the re-appointment of the External Auditors to review the Statement on Internal Control of the Group for the financial year 2012.
19. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the engagement letters for KPMG's re-appointment as External Auditors for the financial year 2012 and the engagement letter for KPMG to review the Statement on Internal Control of the Group for the financial year 2012.
20. Reviewed and recommended for the adoption of the respective Boards of the subsidiaries and the Company, the Policy on Audit and Non-Audit Services provided by External Auditors for the Group.
21. Held two private discussions with the external auditors.
22. Reviewed and recommended for the approvals of the Boards of the insurance subsidiaries, the Audited Reporting Forms and Actuarial Report in relation to Risk-Based Capital Framework for the financial year 2011.
23. Reviewed the Statement on Internal Control for the financial year 2011 and the report from the External Auditors in respect thereto and recommended the Statement on Internal Control for the Board's approval.
24. Reviewed and recommended for the approval of the Board, the Chairman's Statement, AC Report and the Statement on Corporate Governance for inclusion in the Annual Report of the Company for the financial year 2011.
25. Reviewed the various Internal Audit Reports of the insurance subsidiaries and the Company.
26. Discussed the progress reports on various outstanding internal audit findings of the insurance subsidiaries and the Company.
27. Reviewed the progress reports of the Internal Audit Plan 2012 and approved the respective 5-years (2013– 2017) Internal Audit Plans for the insurance subsidiaries and the Company.
28. Evaluated the performance of the Chief Internal Auditor.
29. Reviewed the results of the self assessment review of the Internal Audit Department in 2012.
30. Reviewed the resources, staffing and succession planning of the Internal Audit Department.
31. Held two private discussions with the Chief Internal Auditor.
32. Reviewed and recommended for the respective Board's adoption, the new Allianz Group Minimum Standards on Anti-Fraud Program.
33. Reviewed the results of the Anti Corruption and Fraud Risk Assessment of the insurance subsidiaries.
34. Discussed the findings and recommendations by the Anti-Fraud Committee on the reported fraud cases and new fraud cases discovered by the insurance subsidiaries and reviewed the mitigating measures undertaken by the respective Management of the insurance subsidiaries.

35. Reviewed the activities updates of the Whistleblowing Committees of the insurance subsidiaries and the Company.
36. Reviewed and recommended for the approvals of the respective Boards of the insurance subsidiaries and the Company, the Whistleblowing Escalation Process.
37. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the new and existing (including any revision proposed) related party transactions including those in recurrent nature and announcement to Bursa Securities in relation thereto.
38. Approved the AC Statement for inclusion in the Circular to Shareholders in relation to recurrent related party transactions.
39. Reviewed and recommended for ratification by the respective Boards of the insurance subsidiaries, the submission of the related party transactions entered into by the insurance subsidiaries for the period from 1 January 2012 to 30 June 2012 to BNM.
40. Reviewed and recommended for the Board's approval, the amendment made to the review procedures for recurrent related party transactions.
41. Reviewed and recommended for the adoption of the Board of the life insurance subsidiary, the fair value option for the life insurance subsidiary's financial assets and the designation of some of its fixed income instruments as Fair Value through Profit and Loss.
42. Reviewed the findings from the mis-selling review for life insurance subsidiary conducted by the Corporate Risk Department.
43. Reviewed the compliance status report of the life insurance subsidiary on Guidelines issued by the Life Insurance Association of Malaysia.
44. Deliberated the tax status and key issues arising from the Inland Revenue Board's tax treatment in relation to the utilisation of unabsorbed business losses of Shareholders' Fund of the life insurance subsidiary.
45. Reviewed the tax status of Bright Mission Berhad ("BMB") from the year of assessment ("YA") 1997 to YA 2011.
46. Reviewed the Executive Report and high level implementation plan of the Goods and Services Tax for the insurance subsidiaries and the Company.
47. Reviewed and recommended for the respective Boards' approval, the transfer of Plaza Sentral properties from BMB to Allianz General Insurance Company (Malaysia) Berhad and the settlement of purchase consideration.
48. Reviewed and recommended for the approval of the Board of the general insurance subsidiary, the settlement of a potential litigation.
49. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the dividend policy and procedures for the Group.
50. Reviewed and recommended for the approvals of the respective Boards of the subsidiaries and the Company, the Fit and Proper Policy and Procedures for Key Responsible Persons for the Group.
51. Reviewed and recommended for the approvals of the respective Boards of the insurance subsidiaries, the impairment of bonds under high credit risk.
52. Reviewed and recommended to the respective Boards of the insurance subsidiaries and the Company for adoption, the new Group Sales Compliance Minimum Standards.
53. Reviewed the implementation status of the new Group Sales Compliance Minimum Standards.

## 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 and management controls 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 2012, 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 2012 amounted to RM2.7 million.

# Statement on Corporate Governance

The Board of Directors is committed to ensuring that the highest standards of corporate governance are practised throughout Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "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 Group complied with all the prescriptive requirements of the Prudential Framework of Corporate Governance for Insurers ("CG Framework") issued by Bank Negara Malaysia ("BNM") and the requirements of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities"), and adopts practices that are consistent with the principles, recommendations and/or best practices prescribed under the CG Framework, the Listing Requirements and the Malaysian Code on Corporate Governance 2012 ("Code"), where applicable.

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

## 1. BOARD OF DIRECTORS

### Duties and Responsibilities

The Board observed and assumed the duties and responsibilities as prescribed by BNM and outlined under the Code, among others, include the following:-

- Reviewing and adopting a strategic plan for the Company.
- Overseeing the conduct of business of the Company.
- Identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures.
- Overseeing appointment and succession planning of senior management.
- Overseeing the development and implementation of a shareholder communication policy for the Company.
- Reviewing the adequacy and the integrity of the management information and internal controls system of the Company.

### Code of Conduct

The Directors observed the Company Directors' Code of Ethics established by the Companies Commission of Malaysia and Allianz SE Group's Code of Conduct for Business Ethics and Compliance. The Allianz SE Code of Conduct sets the minimum standards for the conduct of all employees and Directors, which cover the areas amongst others, fair and regulatory conduct of business, non-discrimination, protect of client data/information, insider trading, potential conflicts of interest, complaints management, financial reporting, no corruption or bribery, acceptance and granting of gifts and other benefits, prevention of money laundering and financing of terrorism, ethical conduct of business and whistleblowing.

### Conflicts of Interest

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

A Director who has a direct or deemed interest in a subject matter presented at the Board/Board Committees Meeting shall abstain from deliberation and voting on the said subject matter.

## Insider trading

The Directors and key management personnel of the Group are prohibited from trading in securities of the Company based on price sensitive information and knowledge, which have not been announced publicly.

Notices in relation to closed period for trading in securities of the Company are issued by the Company Secretary to the Directors, Senior Management and the personnel who are deemed to be privy to any price sensitive information and knowledge in advance of whenever the close period is applicable, specifying the timeframe for prohibition of dealing in securities of the Company.

## Board Composition and Balance

The Board comprises 2 Executive Directors and a strong presence of 5 Non-Executive Directors of whom 4 of them are Independent Directors. The present composition of the Board is in compliance with Chapter 15.02 of the Listing Requirements.

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

The Board views Directors' time commitment and their attendance at Board Meetings seriously. In line with the requirements of the Code, Directors are required to submit their proposed new appointment in other listed company to the Board for prior approval before accepting the new appointment.

All Directors complied with the requirements on restriction of directorships imposed by Bursa Securities and BNM.

All Directors also fulfilled the criteria of "a fit and proper person" for their appointment as Directors as prescribed under the Insurance Act 1996, the Insurance Regulations 1996 and the BNM Guidelines on Fit and Proper for Key Responsible Persons. In addition, the Group has put in place a Fit and Proper Policy and Procedure for Key Responsible Persons to assess the fitness and propriety of the Directors and Key Responsible Persons.

The Group recognises the importance of a diverse workforce and support diversity by recruiting according to skills, knowledge, experience, talents and ability rather than based on gender, race and ethnicity. The Boards of AMB and its insurance subsidiaries had on 23 November 2012 appointed Y.Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim as the Group's first woman Independent Non-Executive Director.

The Board will continue evaluating suitable woman candidate for appointment to the Board at the appropriate time. The appointment of new Board member will not be guided solely by gender but rather the skills set, experience and knowledge of the candidate.

Independent Directors made up of more than half of the Board members. All of them complied with the requirements of Independent Director as 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. The Independent Directors play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, so that no single party can dominate such decision-making in the Company.

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

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

The Executive Directors and the Non-Independent Non-Executive Director are nominees of the Company's Holding Company and representing the Management of the Group. They provide business insights to the Board and formulate business strategies and plan and accountable for business performance of the Group.

There is a clear division of roles and responsibilities between the Chairman and the Executive Director cum Chief Executive Officer of the Company to ensure a balance of responsibilities, authority and accountability for an effective Board.

The Chairman is responsible for ensuring Board effectiveness and conduct. He encourages a healthy debate on matters discussed at the meetings and leading the Board to resolve issues in a harmonious and effective manner without compromising the integrity of the Board to the stakeholders.

The Chairman is also responsible for ensuring that good working relationships are maintained between Directors as well as with the Management of the Company and provides the necessary support and advice. He also takes lead on succession planning of Directors. The Chairman also encourages feedbacks from the stakeholders, he can be reached via his email address [razaliismail@allianz.com.my](mailto:razaliismail@allianz.com.my).

The Chief Executive Officer assumed the duties and responsibilities as prescribed by BNM, which include managing the day-to-day operations of the Company, organisational effectiveness and the implementation of Board policies, decisions and strategy.

### **Tenure of Independent Directors**

The Board had on 24 November 2010, capped the maximum tenure of services for Independent Directors in the Group at 12 years. The Board is mindful on the recommendation of the Code which states that the tenure of an Independent Director should not exceed a cumulative term of 9 years. The Board has accordingly revised the tenure of services for Independent Directors in the Group to a maximum of 9 years in order to align with the Code.

An Independent Director who has served the Board for a cumulative term of more than 9 years can only be retained as an Independent Director of the Company subject to the shareholders' approval.

Independent Directors are subject to an independence assessment by the Nominating Committee and the Board. An evaluation process and evaluation criteria to assess the independence of the Independent Directors on an annual basis, upon admission and when any new interest or relationship develops was approved by the Board in March 2013. Under the evaluation process, each Independent Director will perform a self review on his/her independence by completing a declaration form with questions drawn from the requirements imposed by the various authorities. The Company Secretary will collate the responses from the Independent Directors and submit to the Nominating Committee for evaluation. The Nominating Committee will evaluate the independence of the Independent Directors based on the criteria approved by the Board and submit its findings to the Board for deliberation.

The annual independence assessment on Independent Director for year 2013 will be performed by the Nominating Committee in May 2013 and the findings thereof will be presented to the Board for deliberation at the Board Meeting scheduled to be held in May 2013.

As at the date of this Statement, none of the Independent Directors of the Company has exceeded a cumulative term of 9 years.



### **Senior Independent Director**

The Board had deliberated on the need of appointing a Senior Independent Director to serve as a point of contact for the stakeholders and concluded that such appointment is not required at this juncture on the reason that the Board is predominant by Independent Directors including the Chairman and the fact that all Independent Directors are having good working relationships and are able to be reached by the stakeholders via the Company Secretary.

The Nominating Committee has conducted an annual review of the composition of the Board for year 2012 and opined that the Board is made up of Directors from diverse backgrounds and qualifications with experiences from different fields and skills appropriate for the business of the Company.

The profiles of the Board of Directors are set out on pages 24 to 37 of this Annual Report.

### **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 Group has put in place an evaluation process and procedures for assessing the nominee for directorship. The Nominating Committee reviews the evaluation results of the nominee and submits its recommendation to the Board for consideration.

### **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 Listing Requirements.

In addition, any Director who attains the age of 70 is required to submit himself for re-appointment annually pursuant to Section 129(2) of the Companies Act, 1965.

The Nominating Committee reviews and assesses the performance of the Directors who are subject to re-election/re-appointment at the Annual General Meeting and submit its recommendation to the Board for consideration prior to the proposed re-election/re-appointment being presented for the shareholders' approval.

### **Directors' Performance Review**

The Group has put in place an annual peers performance evaluation process and procedure to assess the performance of the individual Directors and the effectiveness of the Board. The peer assessment on individual Director covers the areas amongst others, the Director's compliance with prescriptive requirements imposed by regulators, participation in Board and Board Committees, contribution to interaction, quality of input and understanding of role while the assessment on the Board covers the areas, amongst others, conformance and compliance, stakeholder relationships and performance management. The results of the annual assessment will be first reviewed by the Nominating Committee and the observations of the Nominating Committee together with the annual assessment results will be submitted to the Board for deliberation.

### **Directors' Remuneration**

The Board has established a remuneration policy for Directors of the Company based on the following criteria:-

- overall performance of the Group;
- level of responsibility; and
- attendance at meetings.

Individual Directors shall abstain from discussion of their own remuneration.

### 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.

### Disclosure

The Non-Executive Directors who are not representing the interest of the major shareholder are paid an annual fee and meeting allowance of RM1,200 per meeting for the financial year ended 31 December 2012. 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 2012 are detailed below:-

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

<b>Categories of Remuneration</b>	<b>Executive Director RM'000</b>	<b>Non-Executive Director RM'000</b>
Salary and other emoluments	295.2	-
Fees and allowance	-	309.4
Benefits (including estimated monetary value of benefits-in-kind)	30.9	-
Contribution to Employees Provident Fund	28.8	-
<b>Total</b>	<b>354.9</b>	<b>309.4</b>

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

<b>Band</b>	<b>No. of Executive Director</b>	<b>No. of Non-Executive Director</b>
RM0 - RM50,000	-	2
RM50,001 - RM100,000	-	2
RM100,001 - RM150,000	1	1
RM150,001 - RM200,000	-	-
RM200,001 - RM300,000	1	-

### **Directors' Training**

In order to ensure that the Directors are well equipped to discharge their responsibilities, all new Non-Executive Directors are required to attend an orientation programme to familiarise them with the insurance industry and the Group.

Director appointed to the Board is required to complete the Mandatory Accreditation Programme ("MAP") as prescribed under the Listing Requirements within 4 months from the date of appointment. All Directors have attended and completed the MAP.

The Directors of AMB who are also sitting on the Board of the insurance subsidiaries have also attended the high level Financial Institutions Directors' Education Programme developed by BNM and Perbadanan Insurans Deposit Malaysia in collaboration with the International Centre for Leadership in Finance.

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
- Business related subjects of the Group

The Company Secretary facilitates the organisation of internal training programme and Directors' attendance of external training programmes. A complete record of trainings, conferences and seminars attended by the Directors as participants or speakers is maintained by the Company Secretary.

The training programmes, seminars and conferences attended by the Directors during the financial year ended 31 December 2012 are as follows:-

Directors	Programmes/Seminars/Conferences Attended
Tan Sri Razali Bin Ismail	<ul style="list-style-type: none"> <li>• The National Conference on Corporate Social Responsibility and Social Business - "CSR and Climate Change - Addressing The Key Issues and Challenges of Sustainability" (as speaker)</li> <li>• Corporate Responsibility Conference 2012 - "Cause Related Marketing and Social Environment Engagement"</li> </ul>
Foo San Kan	<ul style="list-style-type: none"> <li>• Data Protection in Malaysia</li> <li>• Goods and Services Tax</li> <li>• Competition Act 2010</li> <li>• The Malaysian Code on Corporate Governance Seminar</li> <li>• ICAA-MICPA Audit Forum : Corporate Governance in Insurance Companies – The Role of the Audit Committee</li> <li>• Malaysian Institute of Accountants – Compliance : Are you Meeting the Requirements? Directors and Officers' Guide on Liability, Duties and Obligations</li> <li>• Sustainability Training for Directors and Practitioners</li> </ul>
Dato' Dr. Thillainathan A/L Ramasamy	<ul style="list-style-type: none"> <li>• Petronas Board Audit Committee Forum</li> <li>• 23rd Palm and Lauric Oils Conference</li> <li>• Goods and Services Tax</li> <li>• Invest Malaysia Conference</li> <li>• Rating Agency of Malaysia Annual Bond Market Conference "Making the Asian Bond Market a Reality"</li> <li>• Board Development Programmes, Update on Directors Duties and Obligations and Competition Law, How It May Impact the Way We Do Business</li> <li>• The Key Components of Establishing and Maintaining World-Class Audit Committee Reporting Capabilities</li> <li>• "What Keeps the Audit Committee up at Night"</li> </ul>

Directors	Programmes/Seminars/Conferences Attended
Jens Reisch	<ul style="list-style-type: none"> <li>• Goods and Services Tax</li> <li>• Advocacy Sessions on Disclosure for Chief Executive Officers and Chief Financial Officers</li> <li>• Competition Act 2010</li> <li>• Corporate Responsibility Conference 2012 - "German Corporate Social Responsibility ("CSR") Successes revisited. CSR in Germany and Malaysia. A Simple One-Way Road from North to South" (as speaker)</li> <li>• Corporate Responsibility Best Practice Case: Allianz Malaysia (as speaker)</li> <li>• Asia Distribution Conference 2012 – General Agency and Brokerage Focus (as speaker)</li> </ul>
Zakri Bin Mohd Khir	<ul style="list-style-type: none"> <li>• Goods and Services Tax</li> <li>• Corporate Responsibility Conference 2012 - "Cause Related Marketing and Social Environment Engagement" (as speaker)</li> </ul>
Ong Eng Chow	<ul style="list-style-type: none"> <li>• Goods and Services Tax</li> <li>• BNM Engagement Session of Financial Services Bill 2012 and Islamic Financial Services Bill 2012</li> <li>• Advocacy Sessions on Disclosure for Chief Executive Officers and Chief Financial Officers</li> </ul>
Tan Sri Datuk (Dr.) Rafiah Binti Salim	<ul style="list-style-type: none"> <li>• The 3rd Non Aligned Movement Ministerial Meeting on The Advancement of Women</li> <li>• 2nd Annual Women in Leadership Forum Asia (as moderator)</li> <li>• Women on Board-Executive Forum (as panelist)</li> <li>• The Corporate Social Responsibility (as panelist)</li> <li>• The Inaugural Forum of Global Peace Women Malaysia (as moderator)</li> <li>• Roadshow 30% Pembangunan Wanita (as panelist)</li> <li>• Global Summit of Women 2012</li> <li>• Global Islamic Finance Forum</li> <li>• Managing Change in the Global Landscape (as speaker)</li> <li>• Linkage's Women in Leadership Institute (as speaker)</li> <li>• Breakfast Talk on "30% Women Participation on Corporate Board of Public Listed Companies by 2016" (as speaker)</li> <li>• The Fourth Organisation of Islamic Cooperation Ministerial Conference on the Role of Women in Development</li> <li>• Executive Talk Pegawai Tadbir Diplomatik (as speaker)</li> </ul>

### Board Meetings 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 5 Board Meetings were held during the financial year ended 31 December 2012 and the attendance of the existing Directors are as follows:-

Directors	Designation	No. of Board Meetings Held	No. of Board Meetings Attended
Tan Sri Razali Bin Ismail	Chairman	5	5
	Independent Non-Executive Director		
Foo San Kan	Independent Non-Executive Director	5	5
Dato' Dr. Thillainathan A/L Ramasamy	Independent Non-Executive Director	5	5
Tan Sri Datuk (Dr.) Rafiah Binti Salim	Independent Non-Executive Director	5	1 out of 1 meeting held after her appointment as a Director on 23 November 2012
Jens Reisch	Chief Executive Officer/ Non-Independent Executive Director	5	5
Zakri Bin Mohd Khir	Non-Independent Non-Executive Director	5	5
Ong Eng Chow	Chief Financial Officer/ Non-Independent Executive Director	5	5

All Directors achieved full attendance at Board Meetings held in year 2012.

The Board Meetings are conducted in accordance with a structure agenda approved by the Chairman. All Directors are given sufficient time to review the meeting papers prior to Board Meetings. Board Meeting papers are prepared in accordance with a prescribed format aims to provide clear, comprehensive and concise information to the Board to facilitate their deliberation and decision making.

The agenda together with the minutes of Board Meeting and 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.

Regular matters tabled for the Board's information and deliberation include, financial and business reviews and development, business plan and budget, group strategy, information on business proposition including market share, investment and industry development, corporate proposals or projects, risk management review, stress testing, regulation updates, compliance related matters, Human Resource related matters and other operational efficiency projects. Key matters reserved for Board's approval include, among others, the quarterly financial results, audited financial statements, annual business plan and budget, declaration of dividend, significant transactions or expenditures, related party transaction, restructuring, corporate proposals, appointment of Director and member of Board Committee and Directors' remuneration. 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 Senior Management and have unrestricted access to all information and documents relevant to the business and affairs of the Group. The Board may invite any employees to be in attendance of Board Meetings to assist it in its deliberations.

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

## Company Secretary

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

The Company Secretary also responsible for advising the Directors of their obligations and duties to disclose their interest in securities, prohibition on dealing of securities in securities, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related party transaction as well as disclosure of necessary information as required under the relevant legislations, attends all Board and Board Committee meetings and ensures that all meetings are properly convened and proceedings of the Board and Board Committee meetings and decisions thereof are properly recorded, communicating decisions of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee meetings, execution of assessment for Directors and the Board, ensuring appointment and resignation of Directors are in accordance with the relevant legislations, handling company share transactions and other duties as prescribed under the relevant legislations.

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

## 2. DELEGATION OF AUTHORITY

The Board is responsible for overseeing the overall affairs of the Company. To ensure effective discharge of its functions and responsibilities, the Board delegates specific powers to the Chief Executive Officer, the Management and the Board Committees.

### Management Authority Limit

The Board's approving authority is delegated to the Management through formal and clearly defined operational authority limits that governs business procedures and decision process in the Company. The operational authority limits incorporates segregation of duties and check and balance in delegation of authority. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

Various Management Committees are established by the Management to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor the performance of the Company and ensure that activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the Board.

### Board Committees

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

The minutes of the Board Committees are tabled at the Board Meeting for information. The Chairmen of the respective Board Committees also report to the Board on key deliberated issues of the Board Committees at each Board Meeting.

The Nominating Committee has reviewed the composition of the Board Committees and opined that the composition of the respective Board Committees are in order and complied with the requirements as imposed by the relevant authorities.



The Board Committees of the Company set up to assist the Board on specific areas of responsibilities are set out below. The insurance subsidiaries have formally used the services of the Board Committees of the Company since 1 January 2008.

### Audit Committee

The memberships and terms of reference of the Audit Committee are determined in accordance with the BNM's guidelines, Listing Requirements and the Code. The composition and the terms of reference of the Audit Committee are detailed in the Audit Committee Report set out on pages 76 to 87 of this Annual Report.

### Risk Management Committee

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

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

There were 4 Risk Management Committee Meetings held during the financial year ended 31 December 2012. The attendance of the existing members of the Risk Management Committee are as follows:-

Members	No. of Risk Management Committee Meetings Held	No. of Risk Management Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4	Not applicable*
Foo San Kan	4	4
Dato' Dr. Thillainathan A/L Ramasamy	4	4

Note:-

- \* Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member and Chairperson of the Risk Management Committee on 23 November 2012 and 25 November 2012 respectively. There was no Risk Management Committee Meeting held following her appointment as member and Chairperson of the Risk Management Committee.

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:-

- 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;
- 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;
- to review and recommend risk management strategies, policies and risk parameters/tolerance levels, Internal Capital Adequacy Assessment Process result for the approval of the respective Boards of the Group and to ensure any changes and concerns are communicated to senior management effectively;
- to ensure the risk control functions have adequate resources, authority, infrastructure, systems and independence to enable an effective risk management;
- 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 crisis, 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.

### Nominating Committee

The members of the Nominating Committee are as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dato' Dr. Thillainathan A/L Ramasamy (Member)	Independent Non-Executive Director
Zakri Bin Mohd Khir (Member)	Non-Independent Non-Executive Director

There were 2 Nominating Committee Meetings held during the financial year ended 31 December 2012. The attendance of the existing members of the Nominating Committee are as follows:-

Members	No. of Nominating Committee Meetings Held	No. of Nominating Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	2	* Not applicable
Tan Sri Razali Bin Ismail	2	1
Foo San Kan	2	2
Dato' Dr. Thillainathan A/L Ramasamy	2	2
Zakri Bin Mohd Khir	2	** Not applicable

Notes:-

\* Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member and Chairperson of the Nominating Committee on 23 November 2012 and 25 November 2012 respectively. There was no Nominating Committee Meeting held following her appointment as member and Chairperson of the Nominating Committee.

\*\* Encik Zakri Bin Mohd Khir was appointed as a member of the Nominating Committee on 18 January 2013.

The responsibilities of the Nominating Committee are stated below:-

- (a) establishing minimum requirements for the Board and the Chief Executive Officers to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and mix of skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors as well as diversity (including gender diversity), 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 Officers position. This includes assessing Directors and the Chief Executive Officers proposed for reappointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation on candidates for directorship or re-appointment, should consider the candidates:-

- (i) skill, knowledge, competencies, expertise and experience;
  - (ii) professionalism;
  - (iii) integrity;
  - (iv) commitment, contribution and performance; and
  - (v) 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 Directors to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the Chief Executive Officers. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented;
- (d) developing the criteria to assess the independence of its Independent Directors;
- (e) overseeing the appointment, management succession planning and performance evaluation of Directors/Chief Executive Officer and Key Responsible Persons, and recommending to the Board on removal of a Director/Chief Executive Officer and Key Responsible Persons if they are ineffective, errant or negligent in discharging their responsibilities; and
- (f) ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

#### Remuneration Committee

The members of the Remuneration Committee are as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director

There were 2 Remuneration Committee Meetings held during the financial year ended 31 December 2012. The attendance of the existing members of the Remuneration Committee are as follows:-

Members	No. of Remuneration Committee Meetings Held	No. of Remuneration Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	2	* Not Applicable
Foo San Kan	2	2
Tan Sri Razali Bin Ismail	2	** Not Applicable

Notes:-

\* Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim was appointed as member and Chairperson of the Remuneration Committee on 23 November 2012 and 25 November 2012 respectively. There was no Remuneration Committee Meeting held following her appointment as member and Chairperson of the Remuneration Committee.

\*\* Y. Bhg. Tan Sri Razali Bin Ismail was appointed as a member of the Remuneration Committee on 18 January 2013.

The primary objective of the Remuneration Committee is to provide a formal and transparent procedure for developing a remuneration policy for Directors, Chief Executive Officers and Key Responsible Persons 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:-

- (a) recommending a framework of remuneration for Directors, Chief Executive Officer and Key Responsible Persons. 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 Responsible Persons;
  - (iii) be sufficient to attract and retain Directors, Chief Executive Officer and Key Responsible Persons 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 Responsible Persons. 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 Responsible Persons 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.

### Investment Committee

The members of the Investment Committee are as follows:-

Members	Designation
Dato' Dr. Thillainathan A/L Ramasamy (Chairman)	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 2012. The attendance of each member of the Investment Committee members are as follows:-

Members	No. of Investment Committee Meetings Held	No. of Investment Committee Meetings Attended
Dato' Dr. Thillainathan A/L Ramasamy	4	4
Jens Reisch	4	4
Zakri Bin Mohd Khir	4	4
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 function of the Group.

### Board Manual

The Company is in the midst of compiling a Board Manual which encompasses, amongst others, the Board's role, duties, responsibilities, powers, code of conduct, division of responsibilities and powers between the Board and Management and between the Chairman and the Chief Executive Officer, the terms of reference of the Board Committees, the performance evaluation process for the Directors and Board Committees, the processes and procedures for convening Board Meetings, to serve as a guide or key reference points for the Directors and the stakeholders.

### 3. ACCOUNTABILITY AND AUDIT

#### Strategies Promoting Sustainability

The Board strongly believed that sustainable development shall mean combining long-term economic value creation with a holistic approach to environmental stewardship, social responsibility and corporate governance. With this in mind, Allianz4Good Department was set-up in 2011 with aim to create a corporate culture in which social and environmental challenges are managed as opportunities for ensuring sustainable success as a company.

Allianz4Good focusing strongly on employee engagement via corporate volunteering activities and also its initiatives to ensure the long-term viability of the business. In particular, Allianz4Good's projects in road safety and financial literacy have addressed a societal gap while at the same time engaging employees of the Group.

The 2012 corporate responsibility related activities and initiatives are described in the 2012 Sustainability Report presented on pages 50 to 73 of this Annual Report.

#### Financial Reporting

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

Prior to presenting the financial statements of the Group to the Board for approval, the financial statements will be reviewed by the Audit Committee. The Audit Committee assists the Board in reviewing 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 as well as applicable financial reporting standards. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group.

The Statement of Responsibility by Directors in respect of the preparation of annual audited financial statements of the Company is presented on page 104 of this Annual Report.

#### Related Party Transactions

The Group complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL/003-3) and the Listing Requirements in respect of all its related party undertakings. Necessary disclosures were made to the Board and where required, prior approval of the Board and/or shareholders for the transactions had also been obtained.

In line with Part E, Paragraph 10.09 of the Listing Requirements on recurrent related party transactions of a revenue or trading nature with related parties ("Recurrent Transactions"), the Company had obtained the shareholders' mandate for the Group to enter into Recurrent Transactions ("Shareholders' Mandate"). The Shareholders' Mandate will be renewed on a yearly basis at the Annual General Meeting of the Company.

The Group has also established a review procedure for related party transactions including Recurrent Transactions ("RPT Review Procedure") to ensure that they are:-

- (i) undertaken on arm's length basis;
- (ii) consistent with the Group's usual business practices and policies;
- (iii) the transaction prices and terms are not more favourable to the related parties than those extended to third parties/public; and
- (iv) are not to the detriment of the minority shareholders.

Under the RPT Review Procedure, a due diligence working group was formed to review the related party transactions/Recurrent Transactions prior to the same are submitted to the Audit Committee for consideration. The Audit Committee will subsequently review the related party transactions/Recurrent Transactions and submit its recommendation to the Board for consideration.

The Audit Committee also reviews the RPT Review Procedure on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions/Recurrent Transactions in a timely and orderly manner.

### External Auditors

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

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.

In reviewing the proposed appointment or re-appointment of External Auditors, the Audit Committee carries out a performance evaluation on the External Auditors. Areas of assessment include amongst others, the level of knowledge, capabilities, experience and quality of previous work, level of engagement, ability to perform the audit work within the agreed timeframe, adequacy in audit coverage, effectiveness in planning and conduct of audit, ability to provide constructive observations and independence.

The Audit Committee reviews the non-audit services rendered by the External Auditors. A policy setting out the criteria and approval procedures in dealing with audit and non-audit services, is put in place to ensure that the objectivity and independence of the External Auditors are not comprised by providing the non-audit services to the Group.

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

Through the Audit Committee, the Board has established a formal and appropriate relationship with the external auditors. The Audit Committee meets with the External Auditors 3 times a year to review the audit plan, the fourth quarterly report, the audited financial statements and the audit observations. The Audit Committee also held 2 private discussions with the External Auditor at least twice a year without the presence of the Management, to exchange views and opinions. The External Auditors are also invited to attend the Annual General Meeting of the Company to address the concerns of the shareholders in relation to the audited financial statements of the Group.

Details of the role of the Audit Committee in relation to the external auditors are described in the Audit Committee Report presented on pages 76 to 87 of this Annual Report.

The audit fees for the financial year ended 31 December 2012 are detailed below:-

	<b>Group RM'000</b>	<b>AMB RM'000</b>
Auditors' fees:		
- statutory audits	666	125
- other services – review of Statement on Risk Management and Internal Control	10	10

### Risk Management and Internal Control

The Statement on Risk Management and Internal Control, which provides an overview of the state of internal controls within the Group, is presented on pages 105 to 109 of this Annual Report.



## Internal Audit Function

The Board has established an internal audit function within the Group, which is led by the Chief Internal Auditor who reports directly to the Audit Committee.

Details of the Internal Audit Function of the Group is presented on page 87 of this Annual Report.

## 4. SHAREHOLDERS AND INVESTORS ENGAGEMENT

### Communication with Shareholders/Investors

The Board acknowledges the need for shareholders to be informed of all material information affecting the Group and is committed to maintain transparency and accountability to all of its shareholders and stakeholders.

In maintaining the commitment to effective communication with shareholders and stakeholders, the Company adopts the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as to the general investing public in accordance with the requirements of the Listing Requirements. The Company believes that consistently maintaining a high level of disclosure and extensive communication with its shareholders is vital to shareholders and investors to make informed investment decisions.

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, shareholders' circulars and specific announcements released to the Bursa Securities, on a timely manner.

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 financial results, business and/or corporate initiatives.

The Group's website provides the avenue for the stakeholders to access to all information in relation to the Group, covering the areas of business products, services, corporate responsibility initiatives, announcements released to Bursa Securities, press releases, financial statements of the Company and its insurance subsidiaries and presentation made during the analyst briefing and Annual General Meeting are made available via the Group's website at [www.allianz.com.my](http://www.allianz.com.my). The Group's activities are also disseminated via the Group's Facebook page, [www.facebook.com/AllianzMalaysia](http://www.facebook.com/AllianzMalaysia).

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

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

#### **Ms. Joannica Dass**

Group Head of Corporate Communications

Tel : 03-22640780

E-mail : [joannica.dass@allianz.com.my](mailto:joannica.dass@allianz.com.my)

### General Meetings

The Annual General Meeting is the forum to communicate with the shareholders. At the 38th Annual General Meeting, save for the Director who was retired at the said Annual General Meeting, all Directors were present at the 38th Annual General Meeting to engage directly with the shareholders and to address concerns that may be raised by the shareholders.

At the General Meeting of the Company, the Group Chief Financial Officer presents a comprehensive review of the Group's financial performance, business development and other significant matters that required the attention of the shareholders. 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 External Auditors are present at the Annual General Meeting to respond to questions raised by the shareholders.

The Management also shared with the shareholders the questions submitted in advance of the Annual General Meeting by the Minority Shareholders Watchdog Group and the Company's responses in relation thereto.

The Board supports the recommendation of the Code to encourage poll voting. The Company has in the past made the necessary preparation for poll voting for all resolutions tabled for the Annual General Meeting. In addition, the Chairman also highlighted to the shareholders of their right to demand for a poll vote at the commencement of the Annual General Meeting.

In line with the requirements of the Listing Requirements, the Board will ensure that moving forward all resolutions in relation to related party transactions tabled for shareholders' approval shall be decided by poll voting.

#### **STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO FINANCIAL STATEMENTS**

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

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

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

The Statement by Directors pursuant to Section 169(15) of the Companies Act, 1965 in respect of the preparation of the Company's financial statements for the financial year ended 31 December 2012 is set out on page 246 of this Annual Report.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 3 May 2013.

# Statement on Risk Management and Internal Control

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

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

## BOARD RESPONSIBILITY

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

The Board has established an on-going process for identifying, evaluating and managing the significant risks encountered by the Group in achieving its business objectives. The process, which is reviewed and updated from time to time to cater for changes in business environment, has been in place throughout the financial year ended 31 December 2012 and has continued up to the date on which this Statement was approved.

## CONTROL STRUCTURE

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

### Risk Management Framework

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

A system of risk governance is achieved through standards related to organisational structure, risk strategy, written policies, limit systems, documentation and reporting. These standards ensure the timely flow of risk-related information, as well as a disciplined approach towards decision making and execution.

The Group adopts the three line of defence model where the “first line of defence” rests with the business managers. They are responsible in the first instance for both the risks and returns of their decisions. The “second line of defence” is made up of the independent oversight functions such as Risk, Compliance and Legal.

- A risk management function that is independent from business line management has been established to assist the management to achieve its strategic goals and objectives by implementing risk management activities across the organisation. In addition, the Risk Management Committee (“RMC”) has been tasked to assist the Board to discharge their oversight function effectively while the Risk Management Working Committee will drive the risk management framework of the Group and report to the RMC on its recommendations and/or decisions.
- Compliance function will be responsible for integrity management which aims to protect the Group and its employees from regulatory risk while the Legal function seeks to mitigate legal risks which include legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual clauses.

### Internal Audit

Internal Audit forms the “third line of defence”. The Internal Audit function of the Group, which reports to the Audit Committee, undertakes reviews or assessments of the Group’s operations and its system of internal controls and provides continuous monitoring of the controls and risk management procedures as well as highlights significant risks impacting the Group.

The audit scope covers auditable areas encompassing financial operations, product development, investments, pricing operations, back office functions, agency operations, regulatory compliance and information technology and systems. An annual audit plan is developed based on annual risk assessment and approved by the Audit Committee.

Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with internal audit recommendations. Regular follow-up audits are also performed to monitor continued compliance.

All internal audit reports are submitted to the Audit Committee. The Audit Committee will deliberate on the key audit findings and management actions to address these findings during the Audit Committee meetings. The internal auditors will provide regular updates to the Audit Committee on the progress of the management action plan as well as progress of the audit plan.

### Other Key Internal Control Process

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

#### Clear and Defined Organisational Structure

- The Group has established an organisation structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Group’s activities. The Board Committees have the authority to examine matters under their terms of reference as approved by the Board and report to the Board with their recommendations.

Various Management Committees are established by the Management to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor the performance of the Group and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the Board.

### **Management Authority Limit**

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

The management authority limits covers underwriting of risks, claims settlement, reinsurance and capital expenditures and are continuously reviewed and updated to ensure relevance to the Group's operations.

### **Policies and Procedures**

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

These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required.

The Group consistently informed and reminded its employees on the various policies approved by the Board. Policies are also made available via the Group's portal for easy access by the employees.

### **Annual Business Plan and Performance Review**

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

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

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

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

- Proper AML/CFT policies and procedures are in place at the Group to prevent and detect money laundering and terrorism financing activities. These include customer due diligence, screening against sanction list and suspicious transaction reporting to Compliance Department. In respect of education, staff and agents are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' information and reporting of suspicious transactions.

### **Anti-fraud and anti-corruption**

- The Anti-Fraud Committee was set up to coordinate all activities concerning fraud prevention and detection. The Anti-Fraud Policy defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees, has 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 Anti-Corruption Program ("Program") the Group has adopted the Allianz Group's Anti-Corruption Policy ("Anti-Corruption Policy"). The Anti-Corruption Policy serves to outline 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.

### **Sales Policy and Sales Agent Code and Conduct**

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

### **Whistle Blowing**

- The Group has established a whistle blowing mechanism to enable anonymous and non-anonymous reporting of any breaches of the COC, any laws, regulations, orders of regulators or any internal rules. These whistle blowing cases are assessed confidentially by an internal Whistle Blowing Committee to determine the validity and appropriate actions to be taken.

### **Business Continuity Management**

- Business Continuity Plans for all OEs have been formulated to ascertain that the Group will recover and restore any interrupted critical function within a predetermined time upon the occurrence of any disastrous events. The testing for Business Continuity Plan for all business functions and Disaster Recovery Plan test for all main application systems had been conducted during the financial year ended 31 December 2012 and endorsed by the respective OE Boards.

### **Human Resources Policies and Procedures**

- The Group has established proper policies and procedures on human resource management, including recruitment, training, appraisal, promotion, resignation, termination and remuneration. These policies and procedures are reviewed periodically and changes effected are communicated to relevant employees via-email or through memorandum in a timely manner. The policies and procedures are also made available via the Group's intranet for easy access by the employees.

The Group equips employees with the relevant knowledge, skills and competencies required for carrying out their roles and responsibilities through structured training and development programmes. These include a combination of classroom training, on-the-job attachment, professional examinations and project assignments. Employees are encouraged to embrace the culture of continuous learning for personal competency and career development.

### **Review of Statement on Risk Management and Internal Control**

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5, issued by Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the financial year ended 31 December 2012 and have reported to the Board that nothing has come to their attention that causes them to believe that this statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and effectiveness of risk management and internal control of the Group.

RPG 5 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Directors and management thereon.



The Management has given assurance to the Board on the adequacy and effectiveness of the Group's risk management and internal control system. For the financial year ended 31 December 2012 and up to the date of this Statement, the Management has not identified any significant deficiencies in the design or operation of risk management and internal controls of the Group that could adversely affect the Group's ability in meeting its business objectives.

Additionally, the Internal Auditors of the Group has also reviewed this Statement and reported to the Audit Committee that, save for its presentation to the Audit Committee of the individual lapses in internal controls during the course of its internal audit assignments for the year, it has not identified any circumstances which suggest any fundamental deficiencies in the system of internal control in the Group.

### **Conclusion**

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

This Statement is made in accordance with the resolution of the Board dated 27 March 2013.

# Additional Compliance Information

## 1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2012, there were no proceeds raised from corporate proposals.

## 2. SHARE BUY-BACKS

During the financial year ended 31 December 2012, there were no share buy-backs by the Company.

## 3. OPTIONS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2012, the Company has not issued any option or convertible securities.

During the financial year ended 31 December 2012, the Company increased its issued and fully paid-up share capital to RM158,636,138 by way of the issuance of 2,207,875 ordinary shares of RM1.00 each pursuant to the conversion of 2,207,875 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each to ordinary shares of RM1.00 each of the Company. Accordingly, the amount of ICPS in the share capital of the Company was reduced to RM187,569,647 as at 31 December 2012.

## 4. DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2012, the Company did not sponsor any depository receipt programme.

## 5. SANCTIONS AND/OR PENALTIES

Save for the tax penalty of RM970 imposed by the Inland Revenue Board on the Company's subsidiaries for additional tax assessment for year 2006 and penalties for late payment on withholding taxes, 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 2012.

## 6. NON-AUDIT FEES

Save for the non-audit fee of RM10,000 for the review of the Company's Statement on Risk Management and Internal Control by the external auditor, Messrs. KPMG, there were no other non-audit fees paid by the Group to Messrs. KPMG during the financial year ended 31 December 2012.

## 7. VARIATION IN RESULTS

There was no deviation between the audited results for the financial year ended 31 December 2012 and the unaudited results of the financial year ended 31 December 2012 of the Group.

## 8. PROFIT GUARANTEE

During the financial year ended 31 December 2012, there was no profit guarantee given by the Company.

## 9. MATERIAL CONTRACTS

- i. The Company has on 27 December 2012 entered into an advance agreement ("Advance Agreement") with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of EURO Equivalent of RM54.3 million to be made available by Allianz SE to the Company ("Advance"), upon the terms and conditions as stipulated in the Advance Agreement. The term loan is unsecured and subject to interest of 4.3 percent per annum and repayable in 2018.

The Advance will be utilised by the Company for general working capital purposes and to finance the business expansion of its life operating subsidiary.

- ii. Allianz Life Insurance Malaysia Berhad ("ALIM") had on 31 December 2012 entered into a 10-year conventional Exclusive Distribution Agreement ("Distribution Agreement") with HSBC Bank Malaysia Berhad ("HSBC Malaysia").

The Distribution Agreement provides ALIM with an exclusive right to use HSBC Malaysia's distribution network to sell, market and promote conventional life insurance products developed by ALIM, more particularly described in the Distribution Agreement.

Under the Distribution Agreement, an upfront fee of approximately RM 50.5 million was paid by ALIM to HSBC Malaysia for the exclusivity upon the commencement date of the partnership in January 2013.

- iii. The Company has on 7 January 2013, entered into a facility agreement ("Facility Agreement") with ALIM to make available to ALIM, a subordinated loan of up to the aggregate principal amount of RM73.0 million only ("Facility") upon the terms and conditions as stipulated in the Facility Agreement. The subordinated loan is subject to interest of 4.5 percent per annum and repayable in 2023.

The proceeds from the Facility shall be utilised by ALIM for general working capital purposes including business expansion.

Save as disclosed above, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors and major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2012 or, had been entered into since the end of the previous financial year.

## 10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013

### 10.1 ORDINARY SHARES OF RM1.00 EACH

Authorised Share Capital	:	RM600,000,000
Issued and Paid-up Share Capital	:	RM159,079,938
Class of Shares	:	Ordinary shares of RM1.00 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	28	1.28	266	0.00
100 to 1,000	1,247	56.89	425,373	0.27
1,001 to 10,000	670	30.57	2,686,416	1.69
10,001 to 100,000	199	9.08	5,907,291	3.71
100,001 to less than 5% of issued shares	47	2.14	34,698,297	21.81
5% and above of issued shares	1	0.04	115,362,295	72.52
<b>Total</b>	<b>2,192</b>	<b>100.00</b>	<b>159,079,938</b>	<b>100.00</b>

**10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)****10.1 ORDINARY SHARES OF RM1.00 EACH (CONTINUED)****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	72.52	-	-

**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	72.52
2	Pertubuhan Keselamatan Sosial	4,308,922	2.71
3	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	4,052,000	2.55
4	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	3,312,000	2.08
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	2,431,000	1.53
6	Amanahraya Trustees Berhad Public Smallcap Fund	2,220,200	1.40
7	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	2,103,700	1.32
8	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB PRIN)	1,276,300	0.80
9	Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia National Trust Fund (Hwang)	1,204,100	0.76
10	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	1,050,000	0.66
11	Citigroup Nominees (Asing) Sdn Bhd CB Spore GW for Firth Asian Smaller Companies Fund	839,325	0.58
12	Lim Su Tong @ Lim Chee Tong	802,000	0.50
13	Universal Trustee (Malaysia) Berhad CIMB-Principal Equity Fund	771,200	0.48
14	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	664,200	0.42

## 10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)

### 10.1 ORDINARY SHARES OF RM1.00 EACH (CONTINUED)

Name of Shareholders	No. of Shares Held	% of Shares
15 Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (CIMB Equities)	636,600	0.40
16 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Amundi)	600,000	0.38
17 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Hwang 6939-403)	572,900	0.36
18 HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Hereford Funds Firth Asian Value Fund	515,600	0.32
19 AMSEC Nominees (Tempatan) Sdn Bhd Lim Su Tong @ Lim Chee Tong (8335-1101)	500,000	0.31
20 INSAS Plaza Sdn Bhd	476,700	0.30
21 HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (Singapore - SGD)	449,000	0.28
22 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Asia Quantum Fund (4579)	400,050	0.25
23 Cartaban Nominees (Asing) Sdn Bhd RBC ISB for Equities Asia/Pacific Ex Japan FH (USD) (LGT CAP INV SC3)	369,800	0.23
24 Jaya Kumar A/L Ganason @ Kanajan	340,000	0.21
25 HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	336,500	0.21
26 CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Noble Sound Sdn Bhd (PB)	325,000	0.20
27 Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia Medical Fund Account (Hwang)	324,000	0.20
28 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Hwang Investment Management Berhad for Malaysian Timber Council	317,400	0.20
29 Thong Kok Khee	297,600	0.19
30 Goh Beng Choo	270,500	0.17

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

Authorised Share Capital	:	RM400,000,000
Issued and Paid-up Share Capital	:	RM187,125,847
Class of Shares	:	Preference shares of RM1.00 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 cases, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and exercise 1 vote for each ICPS held.

**10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)****10.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES OF RM1.00 EACH ("ICPS") (CONTINUED)****DISTRIBUTION OF ICPS HOLDINGS**

<b>Size of Holdings</b>	<b>No. of ICPS Holders</b>	<b>% of ICPS Holders</b>	<b>No. of ICPS Held</b>	<b>% of ICPS</b>
Less than 100	18	2.21	564	0.00
100 to 1,000	397	48.65	99,763	0.05
1,001 to 10,000	225	27.57	873,854	0.47
10,001 to 100,000	126	15.44	4,179,939	2.23
100,001 to less than 5% of issued ICPS	49	6.01	37,768,859	20.19
5% and above of issued ICPS	1	0.12	144,202,868	77.06
<b>Total</b>	<b>816</b>	<b>100.00</b>	<b>187,125,847</b>	<b>100.00</b>

**DIRECTORS' HOLDINGS IN ICPS**

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

^ Negligible

**THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS**

<b>Name of ICPS Holders</b>	<b>No. of ICPS Held</b>	<b>% of ICPS</b>
1 Citigroup Nominees (Asing) Sdn Bhd Allianz SE	144,202,868	77.06
2 Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,624,400	3.01
3 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (HDBS)	5,186,325	2.77
4 Pertubuhan Keselamatan Sosial	4,489,100	2.40
5 Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,123,875	1.67
6 Amanahraya Trustees Berhad Public Smallcap Fund	2,771,000	1.48
7 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Opportunity Fund (3969)	1,533,600	0.82
8 HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	1,487,900	0.80
9 HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Income Fund (4850)	1,331,575	0.71



## 10. ANALYSIS OF SHAREHOLDINGS AS AT 19 APRIL 2013 (CONTINUED)

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

Name of ICPS Holders		No. of ICPS Held	% of ICPS
10	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Hwang Investment Management Berhad (TSTAC/CLNT-T)	906,509	0.48
11	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (Hwang 6939-403)	816,125	0.44
12	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Hwang Select Dividend Fund	698,600	0.37
13	Sai Yee @ Sia Say Yee	630,000	0.34
14	Neoh Choo Ee & Company, Sdn. Berhad	627,500	0.34
15	Nahoorammah A/P Sithamparam Pillay	560,000	0.30
16	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Hwang Investment Management Berhad for Malaysian Timber Council	546,750	0.29
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Asia (Ex Japan) Opportunity Fund (5410)	538,200	0.29
18	Au Yong Mun Yue	511,000	0.27
19	Olive Lim Swee Lian	505,000	0.27
20	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Hwang Select Balanced Fund (4405)	460,800	0.25
21	Maybank Nominees (Tempatan) Sdn Bhd Hwang Investment Management Berhad for Benta Wawasan Sdn Bhd (230129)	376,300	0.20
22	Employees Provident Fund Board	334,625	0.18
23	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	309,700	0.17
24	Lim Tean Kau	305,000	0.16
25	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	285,700	0.15
26	Dynaquest Sdn. Berhad	232,000	0.12
27	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Hwang Investment Management Berhad for Malaysian Timber Council (Operating Fund)	220,000	0.12
28	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Keat	220,000	0.12
29	Loh Chai Kiam	218,200	0.12
30	Malaysian Trustees Berhad Hwang Investment Management Berhad for G B Lim Family Fund	206,475	0.11

**11. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2012 OWNED BY THE GROUP**

No	Location	Existing Use	Tenure	Land Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur	Head office	Freehold	3,745	Corporate office	11 years	1/6/2012	39,594
2	Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur	Branch office	Lot PT1- Leasehold Expiring 9/6/2072	525	Office building	29 years	27/4/2011	4,633
			Lot 263-Freehold			31 years	27/4/2011	6,243
3	Wisma Allianz Life No. 11, 12, 13 and 14, Jalan 53, Desa Jaya Commercial Centre Taman Desa Kepong, 52100 Kuala Lumpur	Branch office	Leasehold  Expiring 8/3/2081	637	Terrace shop/ office	27 years	21/10/2011	4,753
4	No. 46, Jalan Tiara 2C Bandar Baru Klang Klang, 41150 Selangor	Branch office	Leasehold Expiring 8/5/2093	551	Terrace shop/ office	10 years	20/10/2011	3,930
5	No. 1, Phase 4A, Metro Prima Business Centre Jalan Prima 9 Kepong, 52100 Kuala Lumpur	Branch office	Leasehold Expiring 2/4/2096	239	Terrace shop/ office	15 years	27/12/2011	2,256
6	Unit Nos. A-G-1, A-1-1, A-2-1 Block A, Greentown Square Jalan Dato' Seri Ahmad Said Ipoh, 30450 Perak	Branch office	Leasehold Expiring 8/5/2093	595	Commercial building	7 years	20/10/2011	1,940
7	No.15, Jalan 8/1D Section 8, Petaling Jaya 46050 Selangor	Branch office	Leasehold Expiring 7/8/2066	174	Terrace shop/ office	46 years	25/4/2011	1,873
8	Lot 30, Block E Sedco Complex, Jalan Albert Kwok Locked Bag 69 Kota Kinabalu, 88000 Sabah	Branch office	Leasehold Expiring 3/12/2073	114	4-storey office building	30 years	21/4/2011	1,789
9	No.300 & 301, Jalan Lumpur Alor Setar 05100 Kedah	Branch office	Freehold	386	Terrace shop / office	9 years	3/5/2011	1,550
10	No. 487, Jalan Permatang Rawa Bandar Perdana Bukit Mertajam, 14000 Penang	Branch office	Freehold	212	4-storey shop office	14 years	6/10/2011	1,435

## 12. 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 2012 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	(247,666)
Payment of annual maintenance and support fees by the Company's life insurance subsidiary to Allianz SE Group for software system provided by Allianz SE Group	**Allianz SE Group	(215)
Payment of fees by the Company's life insurance subsidiary to IDS GmbH for conducting performance attribution analysis	**IDS GmbH	(7)
Payment of fees by the Group to Allianz Managed Operations And Services SE ("AMOS") for sharing of Allianz Worldwide Intranet Network	**AMOS	(284)
Investment and redemption of funds (including fund management fees) distributed by Allianz Global Investors Singapore Limited by the Company's life insurance subsidiary	**Allianz Global Investors Singapore Limited	(34,515)
Payment of fees by the Group to Allianz Investment Management Singapore Pte Ltd ("AIM") for investment advisory services provided by AIM	**AIM	(1,685)
Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(984)
Payment of service fees by the Company's general insurance subsidiary to Mondial Assistance (Asia) Pte Ltd ("Mondial") for road assistance services provided by Mondial to its policyholders	**Mondial	(5,454)
Payment of fees by the Group to Allianz SE for sharing of Human Resource database platform of Allianz SE	**Allianz SE	(45)
Payment of yearly maintenance fee by the Group to Allianz SE for e-Recruitment solution provided by Allianz SE	**Allianz SE	(79)
Payment by the Company's insurance subsidiaries to AMOS for purchasing of various software licenses	**AMOS	(429)
Payment of training cost by the Group to AMOS, Singapore branch for the Social Operational Excellence training programme	**AMOS	(7)

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.

# 1

*One thing I know for sure:  
It's the people who make a  
difference*

I am a Group General Manager in one of the new national car dealers. One day, my showroom was broken into and many office equipment went missing. After an initial investigation by the police, I called up my agent, En. Abd Khalid, to assist me in my claims. I was so happy that my case was attended to so quickly and professionally.

## Agents

### Number of Allianz General Agents

**5,194**

### Number of Allianz Life Agents

**6,026**

\* As at March 2013



En. Taib bin Jamin  
Allianz customer since 2002





# Calendar of Moments

## January 2012



### Allianz Running Activity Campaign

Allianz Malaysia's Johor Bahru branch kicked off its first running activity on 4 January 2012. The event not only created awareness on a healthy lifestyle, but also served as a bonding session amongst employees, agents and business partners. The initiative took place at Taman Merdeka, Johor Bahru with a professional instructor to guide everyone on running methods and warm-up tips.

## February 2012



### Distribution of Child Safety Booster Seats

Allianz Malaysia kicked-off the distribution of the Child Safety Booster Seats ("CSBS") to the public during the Road Safety Advocacy Campaign held on 2 February at the Sungai Rasau Toll Plaza in Klang. The distribution of the CSBS was part of the Group's road safety initiatives.



### Analyst Briefing

The first Analyst Briefing for the year was held on 28 February 2012, at Level 6 Plaza Sentral. Led by Chief Financial Officer, Charles Ong, the team briefed the analysts present on the 2011 results. As always, the analysts had interesting queries and questions on the Group's results.



## March 2012



### Strategic Dialogue 2013

The 2013 Strategic Dialogue was held at the One World Hotel, Bandar Utama, Selangor from 8-9 March 2012. This annual event brought together the Management teams of Allianz Malaysia as well as colleagues from the Regional office. The dialogue session shared the 2012 initiatives and focused on the 2013 directions and strategies of the group.

## April 2012



### Walking for Road Safety Awareness

Employees from the Bukit Mertajam branch participated in a "Road Safety Walk" organised by the Road Safety Department of Penang on 14 April 2012. The 1.1 kilometer Walkathon started and ended at Taman Rekreasi Sony, Seberang Perai. The event was organised in conjunction with the Seberang Perai District Road Safety Campaign.



### Children wish Allianz Malaysia "Happy 10th Anniversary"

Employees were invited to send in their children's artwork in conjunction with the 10th Anniversary celebrations. A total of 41 colourful entries were submitted and then uploaded on the Allianz Malaysia Facebook page. The top three artworks with the most 'Like'(s) for the two different age categories each received exclusive and exciting stationery hampers.

April  
2012  
Continued



### First “My Finance Coach” class in a national school

My Finance Coach reached a new milestone in its Malaysian rollout – having its first class in a national school, Sekolah Kebangsaan Jalan Sungai Besi 1. The students learned to differentiate their needs from their wants and responded enthusiastically to the questions posed by the Coaches and the various engaging activities throughout the lesson.



### A facelift for Desa Jaya branch

The Desa Jaya branch went through a facelift in mid April 2012, bringing about many positive feedback and compliments from customers and agents alike. The renovation provided a boost in morale for both employees and agents with its improved facilities and comfortable working environment. The new look is a reflection of the globally recognised brand of Allianz.

May  
2012



### Allianz General strengthens ties with PETEKMA Langkawi

Allianz General and Koperasi Pembangunan Perkhidmatan Pelancungan Langkawi Berhad (“K3P”) signed a Memorandum of Understanding (“MOU”) on 7 May 2012. Through this MOU and as a member of K3P, Pertubuhan Pemandu dan Pengusaha Teksi/Limosin dan Kereta Sewa Malaysia Cawangan Langkawi’s (PETEKMA Langkawi) taxis, limousines and its drivers are offered Motor and Personal Accident insurance coverage by Allianz General.

May  
2012  
Continued



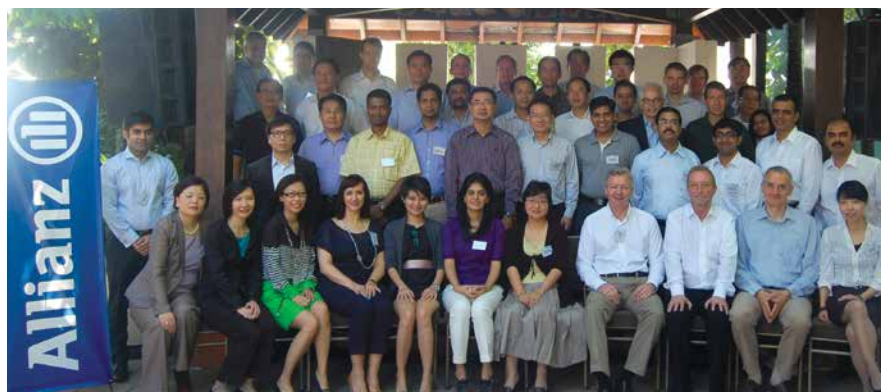
### Allianz Malaysia introduces Allianz Junior Football Camp

Allianz Malaysia became a part of the Allianz Junior Football Camp; an initiative by Allianz SE where two young football talents joined other selected teenagers from 21 different countries. They met stars of FC Bayern Munich, participated in a professional football practice with official coaches of the club, visited the city of Munich and watched a match of FC Bayern Munich live at the Allianz Arena; all paid-for by Allianz. The launch in Malaysia was held on 22 May 2012.



### One Campaign launched externally

The Malaysian edition of Allianz's 'One Campaign' branding initiative was launched externally on 16 July 2012 via television and radio commercials as well as print advertisements; focusing on sharing knowledge and experiences of real people in real situations.



### Annual Regional COO and CIO Conference in Kuala Lumpur

Allianz Malaysia was privileged to host the annual Regional Chief Operations Officer ("COO") and Chief Information Officer ("CIO") Conference from 13 to 15 May 2012. The annual event was attended by 43 participants who gathered at Le Meridien Hotel, Kuala Lumpur Sentral. The event was fruitful as many plans and ideas were discussed on Operations and IT at the Regional level.



### 2012 Allianz Agency Awards Nite

Allianz Life held the 2012 Allianz Agency Awards Nite at the Genting International Convention Centre, Genting Highlands on 23 May 2012. The awards recognise Allianz Life agents who made it as top agents not only within the Company, but also in the industry as well. The event was truly a source of inspiration and encouragement to the agents.



# June 2012



### Penang branch's annual Durian Fest – bigger and better

The Penang branch played host for the fourth time to a delectable Durian Fest in appreciation of business partners namely distributors, brokers, franchise dealers, bankers, agents and customers. The feast was held just outside the Penang Branch office on 28 June 2012. It was a simple get-together and the branch's way of saying thank you to all its business partners and regular customers for their strong support. At the same time, the get-together amongst business partners also provided a positive opportunity and avenue for networking and developing business.



### 38th Annual General Meeting

On 27 June 2012, the Chairman and the Board of Directors of Allianz Malaysia Berhad held the 38th Annual General Meeting at the Junior Ballroom of Hotel Intercontinental Kuala Lumpur. A question and answer session was held after the meeting with members of the local media.



### Social Media Ambassador's Training

On 11 June 2012, the first Social Media Ambassador training was held at the Head Office in Plaza Sentral, Kuala Lumpur. 26 ambassadors nationwide came together in one day to learn, share and exchange knowledge in this interactive training.

July  
2012



### Allianz Malaysia launches Allianz Academy

Allianz Malaysia launched its very own virtual Academy on 6 July 2012 as part of the Company's initiative to create a culture of learning and development for employees. The objective of the Allianz Academy is to cater to learning needs of various employees through a structured development programme.



### 2012 Allianz Asian Auto Awards

This year, Allianz Malaysia took on the role as the title sponsor of the Asian Auto Awards, organised by Asian Auto. The Awards is the biggest automotive industry awards in Malaysia and a reputable market barometer that unveils the most outstanding vehicles based on the real value propositions of each car.



### Accidents and Emergencies Training

Aware of its responsibility regarding road safety, Allianz Malaysia initiated an "Accidents and Emergencies Training" on 10 July 2012 at Wisma Allianz, Kuala Lumpur. The training was conducted by representatives of the Malaysia Civil Defence Department, Ministry of Home Affairs. A total of 29 employees of Allianz Malaysia had the opportunity to participate in this training which focused on the acquisition of first aid techniques.



### Growing together through team building

The annual National Marketing Convention took a distinctive shift this year by focusing the spotlight on building relationships as a team. A total of 328 Allianz General insurance agents and management employees came together on 13 July 2012 for an exciting and inspiring four days event in Kota Kinabalu, Sabah.

## August 2012



### A strategic partnership with OSK Trustees Berhad established

Allianz Life established a strategic partnership with OSK Trustees Berhad on 22 August 2012. Through this strategic partnership, Allianz Life agents can offer holistic financial solutions to customers of Allianz Life by recommending a life insurance product that suits the needs of customers and the Estate Planning Services offered by OSK Trustees Berhad. Interested customers can immediately subscribe to these services. While Allianz Life provides the recommendation, OSK Trustees will provide its expertise to manage the fund for Allianz Life customers.

### 10th Anniversary celebrations conclude

The 10th Anniversary celebrations of Allianz Malaysia concluded with a charity golf tournament by the Lahad Datu and Tawau branches on 26 August 2012. A total of 16 celebrations were held nationwide; with a total of RM453,018.15 raised and channelled to 29 charitable organisations.

## September 2012



### Allianz Malaysia holds first Hari Raya Open House

The first Hari Raya Open house hosted by Y. Bhg. Tan Sri Razali Ismail, Jens Reisch and Zakri Khir was held on 4 September 2012 between 3-8pm at the Sunway Resort Hotel and Spa, Selangor. The event was attended by agents, business partners, associates, journalists and invited guests from regulatory bodies.



## September 2012 Continued



### Young and Accomplished

Dato' Norman Pang from NPG Agency was awarded the 2012 Outstanding Young Malaysian Award for Personal Improvement and / or Accomplishment. In a high profile event that was attended by many young, established and innovative high flyers like him, Dato' Norman Pang received the award on 15 September 2012. The awards provide proper recognition to the outstanding achievements of the honourees and serve as inspirational examples to young Malaysians.



### Young solo circumnavigator sponsored for a good cause

20-year-old circumnavigator, Michael Perham from United Kingdom received a motor insurance sponsorship on 11 September 2012 from Allianz General in support of Perham's solo initiative towards a charitable course where Perham aims to raise £1 for every mile that he drives. Through the sponsorship, Allianz General provided Perham a Third Party Fire and Theft motor insurance coverage.

## October 2012



### An evening with the media

In conjunction with Allianz Malaysia's 10th Anniversary celebration, Allianz Malaysia invited media representatives to enjoy a sumptuous dinner and watch the movie, Taken 2 on its actual release date. 22 media representatives from various newspapers, magazines and broadcasting channels attended the event that was held on 4 October 2012. The evening was a pleasant one and it was the Company's way of saying thank you to the media representatives for their support throughout the 10 years.



### Final Townhall for the year

The Head Office, KL Branch and Central region branches come together for the final townhall session for the year on 11 October 2012. Topics that were shared include the results and strategy of Allianz in the Asia Pacific region and Malaysia; focusing on the Company's most important enablers such as the people or employees, service culture, brand and community activities and commitments. Other regions and branches followed suit.

# November 2012



## Another door opens at the Head Office

As Allianz Malaysia grows in business and resources, the Company opens its door at another floor in the Head Office at Kuala Lumpur Sentral. Effective 2 November 2012, the new division in Allianz Life known as Partnership Distribution Division which was set up when Allianz and HSBC signed a 10- year exclusive bancassurance distribution agreement for life insurance in Asia, occupied the floor. Other departments occupying this floor included Employee Benefits, Policy Management (Group), Corporate Risk Department and Facility Management.



## Change of Board Members

Allianz Malaysia appointed Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, as Independent Director effective 23 November 2012. She is also the first woman to be appointed as an Independent Director of Allianz Malaysia Berhad Group. Y. Bhg. Dato' Seri Nik Abidin Bin Nik Omar retired as an Independent Director of Allianz Malaysia Berhad Group on 25 November 2012 after having served AMB for more than 12 years.



## A memorable experience at the Allianz Penang Bridge International Marathon

The Allianz Penang Bridge International Marathon ("APBIM") which took place on 18 November 2012 ended with a memorable and fun experience. Once again, APBIM went on the Malaysia Book of Records as the bridge marathon with the largest number of participants totaling 34,500 from all over the world. This was the last marathon on the current Penang Bridge before the marathon moves to the new bridge in 2013.



## Toastmasters Distinguished Club Awards

Allianz Toastmasters Club recently received a Distinguished Club Achievers award for the period between 1 July 2011 and 30 June 2012 with 36 other Toastmasters Clubs in the country. The awards presentation ceremony was held on 17 November 2012.

# December 2012



## Year end media get together

A media get together dinner was held on 19 December 2012 at the Pool side Patio in Le Meridien, Kuala Lumpur. More than 20 media representatives from various media channels such as The Star, The Edge, Business Times, BFM, Personal Money and others came together in this special Christmas dinner. The media get together was organised in appreciation for the support given by the media to the Group, while at the same time enhancing media relations.



## UKM-Allianz Malaysia Road Safety Advocacy Campaign

Universiti Kebangsaan Malaysia and Allianz Malaysia jointly held a university-wide Road Safety Advocacy Campaign at UKM's Bangi campus on 12 December 2012. The UKM-Allianz Malaysia Road Safety Advocacy Campaign was organised in collaboration with Jabatan Keselamatan Jalan Raya Malaysia (JKJR), to create awareness among the students and staff on the importance of road safety, and how their actions can affect themselves as well as other motorists.



## City Survival Training for Women Employees

On 19 December 2012, a City Survival Training for Ladies was conducted for about 90 women employees to raise awareness and prepare them for the multitude of dangers that they may face in everyday city life. Held at the Malaysian Association for the Blind (MAB), the session was conducted by K. Balasupramaniam or fondly known as Captain Bala. Captain Bala is the Malaysian Volunteer Fire and Rescue Association (MVFRA) Chairman, having had the experience in both local and international search and rescue operations. It was an engaging and interesting session for the ladies with many saying they had learnt a lot from the half-day session.



# January 2013



## First Allianz4Good appreciation dinner

On 23 January 2013, Allianz4Good volunteers from Klang Valley were invited for an appreciation dinner at Menara SSM; for support rendered in 2012. The volunteers' support and dedication has been vital for accomplishing 42 Road Safety Advocacy Campaigns nationwide and for teaching 34 classes reaching 560 students through My Finance Coach since the launch of these programmes by Allianz Malaysia.



## Allianz Malaysia takes road safety to the next level with campaigns in schools

In order to enhance the students' road safety awareness, Allianz Malaysia held its first road safety advocacy campaign for 2013 at Sekolah Kebangsaan Jalan Sungai Besi (1), Kuala Lumpur.

## February 2013



### Analyst briefing

The first Analyst Briefing for 2013 was held on 25 February 2013, at Level 6 Plaza Sentral. Led by Chief Financial Officer, Charles Ong, the team briefed the analysts present on the 2012 results.

## March 2013



### First townhall for 2013

On 12 March 2012, employees from the Head Office and Central region branches gathered at Wisma MCA from 3pm for 2013's first townhall session. Among the topics included were branding activities on Formula One and road safety, introduction of new senior management, performance and compensation, financial highlights and aspiration. This time around, employees were also fortunate to have the Head of Regional Human Resources; Sabine Goesch who addressed employees. Farooq from Farooq Consultancy was also invited as an external speaker at the townhall session. Other regions and branches followed suit with sessions across the country.



### 'Drive Safely' message delivered through Formula One™ Campaign

Allianz Malaysia held a Formula One™ Campaign themed 'Drive Safely' with its key message on road safety for the young and old alike with exciting activities at Dataran Pahlawan, Melaka from 15 to 17 March 2012. Its main objective was to educate the public especially families to drive safely in a creative and entertaining manner. Many exciting activities were lined-up at the event that was fun, entertaining and informative at the same time.

# Financial Statements

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Profit Before Tax

**RM297.78**  
million

Shareholders' Fund

**RM1,840.79**  
million

Total Assets

**RM9,190.49**  
million



# Directors' Report

for the financial year ended 31 December 2012

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 2012.

## PRINCIPAL ACTIVITIES

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

## RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to the owners of the Company	207,605	162

## 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.

## DIVIDENDS

Since the end of the previous financial year, the Company paid:

- i) a final preference share tax-exempt dividend of 6.30 sen per Irredeemable Convertible Preference Share ("ICPS") totalling RM11,954,000 in respect of the financial year ended 31 December 2011 on 8 August 2012; and
- ii) a final ordinary share dividend of 5.25 sen per ordinary share less tax at 25% totalling RM6,161,000 (3.94 sen net per ordinary share) in respect of the financial year ended 31 December 2011 on 8 August 2012.

In respect of the financial year ended 31 December 2012, the Directors recommended a tax-exempt dividend of 7.80 sen per ICPS and a dividend of 6.50 sen per ordinary share less tax at 25% (4.88 sen net per ordinary share).

## DIRECTORS OF THE COMPANY

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

Tan Sri Razali Bin Ismail (Chairman)  
 Foo San Kan  
 Dato' Dr. Thillainathan A/L Ramasamy  
 Jens Reisch  
 Zakri Bin Mohd Khir  
 Ong Eng Chow  
 Tan Sri Datuk (Dr.) Rafiah Binti Salim (appointed on 23 November 2012)  
 Karl-Heinz Jung (retired on 27 June 2012)  
 Dato' Seri Nik Abidin Bin Nik Omar (retired on 25 November 2012)  
 David Lawrence Fried (appointed on 28 June 2012 and resigned on 18 January 2013)

**DIRECTORS' INTERESTS IN SHARES**

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

	Number of ordinary shares of RM1.00 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
<b>Interests in the Company:</b>				
Zakri Bin Mohd Khir	100	-	-	100
Ong Eng Chow	100	-	-	100

	Number of ICPS of RM1.00 each			
	At 1.1.2012	Bought	Sold	At 31.12.2012
<b>Interests in the Company:</b>				
Zakri Bin Mohd Khir	200	-	-	200
Ong Eng Chow	100	-	-	100

	Number of registered shares*			
	At 1.1.2012	Bought	Sold	At 31.12.2012
<b>Interests in the ultimate holding company, Allianz SE:</b>				
Jens Reisch	758	-	-	758

\* The shares have no par value.

Save as disclosed above, none of the other Directors holding office at 31 December 2012 had any interest in the ordinary shares and/or ICPS of the Company and of its related corporations during the financial year.

**DIRECTORS' BENEFITS**

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

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

**ISSUE OF SHARES**

During the financial year, the Company increased its issued and fully paid-up share capital to RM158,636,138 by way of the issuance of 2,207,875 ordinary shares of RM1 each pursuant to the conversion of 2,207,875 ICPS of RM1 each to ordinary shares of RM1 each of the Company. Accordingly, the amount of ICPS in the share capital of the Company was reduced to RM187,569,647 as at 31 December 2012.

All the new ordinary shares issued rank *pari passu* in all respects with the existing ordinary shares of the Company except that the new shares shall not be entitled to any dividends, rights, allotments and/or other distributions where the entitlement date is prior to the allotment date of the new ordinary shares.

Save as disclosed above, there were no 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

Details of the significant events during the financial year are disclosed in Note 41 to the financial statements.

### SUBSEQUENT EVENT

Details of the subsequent event are disclosed in Note 42 to the financial statements.

### OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- (i) all known bad debts have been written off and adequate provision made for doubtful debts;
- (ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise; and
- (iii) there was adequate provision for insurance contract liabilities in the Group in accordance with the valuation methods specified in Part D of the Risk-Based Capital Framework issued by Bank Negara Malaysia ("BNM").

At the date of this report, the Directors are not aware of any circumstances:

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- (ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- (iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

For the purpose of this paragraph, contingent liabilities and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

In the opinion of the Directors, except for those disclosed in the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2012 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

**AUDITORS**

The auditors, 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 Bin Ismail**

.....  
**Jens Reisch**

Kuala Lumpur,

Date: 27 March 2013

# Statements of financial position

as at 31 December 2012

		31.12.2012	Group 31.12.2011	1.1.2011	31.12.2012	Company 31.12.2011	1.1.2011
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>							
Property, plant and equipment	3	111,727	91,808	87,423	572	672	819
Intangible assets	4	288,037	299,014	309,629	-	-	-
Investment properties	6	4,962	3,732	3,392	-	-	-
Investments in subsidiaries	7	-	-	-	1,084,521	1,084,521	1,084,521
Subordinated loans	16	-	-	-	-	29,396	28,171
Deferred tax assets	17	6,255	-	2,074	-	-	-
Reinsurance assets	12	1,170,471	1,154,151	1,048,814	-	-	-
Investments	8	6,826,218	5,591,897	4,633,341	-	-	-
Deferred acquisitions costs	5	59,315	49,667	42,598	-	-	-
Insurance receivables	9	144,569	116,933	100,164	-	-	-
Other receivables, deposits and prepayments	10	116,373	110,432	120,597	3,652	3,440	3,960
Current tax assets		4,242	3,245	1,890	679	383	1,880
Assets classified as held for sale	11	-	-	2,440	-	-	-
Cash and cash equivalents		458,317	511,892	494,755	17,331	5,871	7,631
<b>Total assets</b>		<b>9,190,486</b>	<b>7,932,771</b>	<b>6,847,117</b>	<b>1,106,755</b>	<b>1,124,283</b>	<b>1,126,982</b>
<b>Equity</b>							
Share capital	19	158,636	156,428	153,869	158,636	156,428	153,869
Irredeemable Convertible Preference Shares	19	187,570	189,778	192,337	187,570	189,778	192,337
Reserves	20	1,494,580	1,291,806	1,126,306	625,421	643,374	646,038
<b>Total equity attributable to owners of the Company</b>		<b>1,840,786</b>	<b>1,638,012</b>	<b>1,472,512</b>	<b>971,627</b>	<b>989,580</b>	<b>992,244</b>
<b>Liabilities</b>							
Insurance contract liabilities	18	6,562,995	5,628,240	4,735,495	-	-	-
Other financial liabilities		3,853	4,252	3,595	-	-	-
Insurance payables	14	328,933	283,182	291,740	-	-	-
Other payables and accruals	15	242,555	213,666	196,827	135,088	134,674	134,728
Benefits and claims liabilities	13	84,813	68,573	59,545	-	-	-
Deferred tax liabilities	17	115,147	94,725	81,302	40	29	10
Current tax liabilities		11,404	2,121	6,101	-	-	-
<b>Total liabilities</b>		<b>7,349,700</b>	<b>6,294,759</b>	<b>5,374,605</b>	<b>135,128</b>	<b>134,703</b>	<b>134,738</b>
<b>Total equity and liabilities</b>		<b>9,190,486</b>	<b>7,932,771</b>	<b>6,847,117</b>	<b>1,106,755</b>	<b>1,124,283</b>	<b>1,126,982</b>

The accompanying notes form an integral part of these financial statements.

# Statements of profit or loss

for the year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
Operating revenue	21	3,147,599	2,751,664	1,838	14,845
Gross earned premiums	22(a)	2,875,329	2,519,233	-	-
Premiums ceded to reinsurers	22(b)	(552,683)	(437,000)	-	-
<b>Net earned premiums</b>		2,322,646	2,082,233	-	-
Investment income	23	272,270	232,431	1,838	14,845
Realised gains and losses	24	44,948	34,267	-	-
Fair value gains and losses	25	12,887	20,881	-	-
Fee and commission income	26(a)	103,687	73,007	-	-
Other operating income		7,660	6,684	874	185
<b>Other income</b>		441,452	367,270	2,712	15,030
Gross benefits and claims paid	27(a)	(1,100,898)	(990,686)	-	-
Claims ceded to reinsurers	27(b)	265,356	254,870	-	-
Gross change in contract liabilities	27(c)	(788,493)	(810,563)	-	-
Change in contract liabilities ceded to reinsurers	27(d)	(10,312)	74,745	-	-
<b>Net benefits and claims</b>		(1,634,347)	(1,471,634)	-	-
Fee and commission expense	26(b)	(479,642)	(438,775)	-	-
Management expenses	28	(338,382)	(270,627)	(2,861)	(3,136)
Other operating expenses		(13,948)	(19,676)	(175)	(176)
<b>Other expenses</b>		(831,972)	(729,078)	(3,036)	(3,312)
<b>Profit/(Loss) before tax</b>		297,779	248,791	(324)	11,718
Tax (expense)/credit	29	(90,174)	(85,155)	486	(2,268)
<b>Profit for the year</b>		207,605	163,636	162	9,450

The accompanying notes form an integral part of these financial statements.



# Statements of profit or loss and other comprehensive income

for the year ended 31 December 2012

	Note	Group		Company	
		2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
<b>Profit for the year attributable to owners of the Company</b>		207,605	163,636	162	9,450
<b>Other comprehensive income, net of tax</b>					
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Revaluation of property, plant and equipment		19,456	5,954	-	-
Tax effects thereon	29.2	(4,863)	(1,080)	-	-
		14,593	4,874	-	-
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value of available-for-sale financial assets	8	(1,727)	12,143	-	-
Tax effects thereon	29.2	418	(3,039)	-	-
		(1,309)	9,104	-	-
<b>Total other comprehensive income for the year, net of tax</b>		13,284	13,978	-	-
<b>Total comprehensive income for the year</b>		220,889	177,614	162	9,450
Profit attributable to:					
Owners of the Company		207,605	163,636	162	9,450
Total comprehensive income for the year attributable to:					
Owners of the Company		220,889	177,614	162	9,450
<b>Basic earnings per ordinary share (sen)</b>	30(a)	132.21	106.09	-	-
<b>Diluted earnings per ordinary share (sen)</b>	30(b)	54.41	43.74	-	-

The accompanying notes form an integral part of these financial statements.

# Consolidated statements of changes in equity

for the year ended 31 December 2012

Group	Note	Attributable to owners of the Company				Distributable			Total equity
		Share capital	Preference shares	Share premium	Revaluation reserve	Fair value reserve	Life non participating fund surplus*	Retained earnings	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2011</b>		153,869	192,337	424,823	5,655	11,552	212,495	471,781	1,472,512
Revaluation of property, plant and equipment		-	-	-	4,874	-	-	-	4,874
Fair value of available-for-sale financial assets		-	-	-	-	9,104	-	-	9,104
Total other comprehensive income for the year		-	-	-	4,874	9,104	-	-	13,978
Profit for the year		-	-	-	-	-	31,709	131,927	163,636
Total comprehensive income for the year		-	-	-	4,874	9,104	31,709	131,927	177,614
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares		2,559	(2,559)	-	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	-	(12,114)	(12,114)
<b>At 31 December 2011/ At 1 January 2012</b>		156,428	189,778	424,823	10,529	20,656	244,204	591,594	1,638,012
Revaluation of property, plant and equipment		-	-	-	14,593	-	-	-	14,593
Fair value of available-for-sale financial assets		-	-	-	-	(1,309)	-	-	(1,309)
Total other comprehensive income for the year		-	-	-	14,593	(1,309)	-	-	13,284
Profit for the year		-	-	-	-	-	35,216	172,389	207,605
Total comprehensive income for the year		-	-	-	14,593	(1,309)	35,216	172,389	220,889
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares		2,208	(2,208)	-	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	-	(18,115)	(18,115)
<b>At 31 December 2012</b>		158,636	187,570	424,823	25,122	19,347	279,420	745,868	1,840,786
		Note 19	Note 19	Note 20.1	Note 20.2	Note 20.3	Note 20	Note 20	

\* The Life non participating fund surplus amount is net of deferred tax. This amount is only distributable when the surplus is transferred from the life fund to the shareholders' fund.

		Attributable to owners of the Company					
		Non-distributable			Distributable		
		Share capital	Preference shares	Share premium	Revaluation reserve	Retained earnings	Total equity
Company	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2011		153,869	192,337	424,823	-	221,215	992,244
Profit for the year		-	-	-	-	9,450	9,450
Total comprehensive income for the year		-	-	-	-	9,450	9,450
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares		2,559	(2,559)	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	(12,114)	(12,114)
At 31 December 2011/ 1 January 2012		156,428	189,778	424,823	-	218,551	989,580
Profit for the year		-	-	-	-	162	162
Total comprehensive income for the year		-	-	-	-	162	162
Conversion of Irredeemable Convertible Preference Shares to Ordinary Shares		2,208	(2,208)	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	(18,115)	(18,115)
At 31 December 2012		158,636	187,570	424,823	-	200,598	971,627
		Note 19	Note 19	Note 20.1		Note 20	

The accompanying notes form an integral part of these financial statements.

# Statements of cash flows

for the year ended 31 December 2012

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>Cash flows from operating activities</b>				
Profit/(Loss) before tax	297,779	248,791	(324)	11,718
Investment income	(272,270)	(232,431)	(1,838)	(14,845)
Realised gains recorded in profit or loss	(44,922)	(34,559)	-	-
Fair value gains on investments recorded in profit or loss	(20,546)	(20,930)	-	-
Purchase of held-to-maturity ("HTM") financial investments	(368,635)	(196,304)	-	-
Maturity of HTM financial investments	37,000	10,000	-	-
Purchase of available-for-sale ("AFS") financial investments	(1,220,913)	(1,312,476)	-	-
Maturity of AFS financial investments	185,000	355,220	-	-
Proceeds from sale of AFS financial investments	494,047	557,906	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	(370,966)	(367,410)	-	-
Maturity of DUIR financial investments	148,760	117,026	-	-
Proceeds from DUIR financial investments	130,710	5,139	-	-
Purchase of held for trading ("HFT") financial investments	(428,600)	(364,649)	-	-
Maturity of HFT financial investments	20,000	11,999	-	-
Proceeds from sale of HFT financial investments	240,948	273,993	-	-
Change in loans and receivables	(9,987)	9,739	-	-
<b>Non-cash items:</b>				
Change in fair value of investment properties	(1,230)	(340)	-	-
Change in fair value of AFS financial assets	(38,073)	6,498	-	-
Unrealised foreign exchange gains	(125)	(726)	-	-
Depreciation of property, plant and equipment	12,179	11,400	216	273
Amortisation of intangible assets	11,442	11,349	-	-
(Gain)/Loss on disposal of property, plant and equipment	(26)	60	-	(137)
Impairment loss on financial investments	8,889	389	-	-
Interest expense	1,953	1,369	-	-
Property, plant and equipment written off	102	862	-	2
Loss on disposal of properties previously classified as held for sale	-	232	-	-
Insurance and other receivables:				
- Impairment loss written off	982	6,675	-	-
- Reversal of allowance for impairment loss	(1,210)	(11,113)	-	-
- Impairment loss recovered	(373)	(233)	-	-

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>Changes in working capital:</b>				
Change in reinsurance assets	(16,320)	(105,337)	-	-
Change in insurance receivables	(26,570)	(11,824)	-	-
Change in other receivables, deposits and prepayments	(14,233)	7,907	(259)	453
Change in insurance contract liabilities	934,755	892,745	-	-
Change in deferred acquisition costs	(9,648)	(7,069)	-	-
Change in other financial liabilities	(399)	657	-	-
Change in insurance payables	45,751	(8,558)	-	-
Change in other payables	39,761	16,974	414	(54)
Change in benefits and claims liabilities	16,240	9,028	-	-
<b>Cash used in operating activities</b>	<b>(218,748)</b>	<b>(118,001)</b>	<b>(1,791)</b>	<b>(2,590)</b>
Tax (paid)/refunded	(75,477)	(78,628)	201	(752)
Dividends received	20,862	14,663	-	13,500
Coupon interest received	251,189	219,985	611	187
<b>Net cash (used in)/generated from operating activities</b>	<b>(22,174)</b>	<b>38,019</b>	<b>(979)</b>	<b>10,345</b>
<b>Investing activities</b>				
Proceeds from disposal of property, plant and equipment	605	682	-	150
Proceeds from disposal of properties previously classified as held for sale	-	2,208	-	-
Acquisition of property, plant and equipment	(13,372)	(10,820)	(116)	(141)
Acquisition of intangible assets	(416)	(149)	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(13,183)</b>	<b>(8,079)</b>	<b>(116)</b>	<b>9</b>
<b>Financing activities</b>				
Dividends paid	(18,115)	(12,114)	(18,115)	(12,114)
Repayment of finance lease liabilities	(103)	(689)	-	-
Proceeds from repayment of subordinated loan	-	-	30,670	-
<b>Net cash (used in)/generated from financing activities</b>	<b>(18,218)</b>	<b>(12,803)</b>	<b>12,555</b>	<b>(12,114)</b>
Net (decrease)/increase in cash and cash equivalents	(53,575)	17,137	11,460	(1,760)
Cash and cash equivalents at 1 January	511,892	494,755	5,871	7,631
<b>Cash and cash equivalents at 31 December</b>	<b>458,317</b>	<b>511,892</b>	<b>17,331</b>	<b>5,871</b>
<b>Cash and cash equivalents comprise:</b>				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	435,327	488,592	17,292	5,615
Cash and bank balances	22,990	23,300	39	256
	<b>458,317</b>	<b>511,892</b>	<b>17,331</b>	<b>5,871</b>

Included in the fixed and call deposits are RM63,051,000 (31 December 2011 : RM58,756,000) held as cash collateral for guarantees issued on behalf of the policyholders (Note14).

The accompanying notes form an integral part of these financial statements.

# Notes to the financial statements

## PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 31 December 2012 do not include other entities.

The Company is principally engaged in investment holding activities while 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 authorised for issue by the Board of Directors on 27 March 2013.

## 1. BASIS OF PREPARATION

### 1.1 Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the Insurance Act and Regulations, 1996, Guidelines/Circulars issued by Bank Negara Malaysia ("BNM") and the Companies Act, 1965 in Malaysia. These are the Group and the Company's first financial statements prepared in accordance with MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* has been applied.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs"), as modified by Guidelines/Circulars issued by BNM. The financial impacts of transition to MFRSs are disclosed in Note 43.

The Group and the Company have early adopted the amendments to MFRS 101, *Presentation of Financial Statements* which are effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statements of profit or loss and other comprehensive income.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013**

- *MFRS 10, Consolidated Financial Statements*
- *MFRS 11, Joint Arrangements*
- *MFRS 12, Disclosure of Interests in Other Entities*
- *MFRS 13, Fair Value Measurement*
- *MFRS 119, Employee Benefits (2011)*
- *MFRS 127, Separate Financial Statements (2011)*
- *MFRS 128, Investments in Associates and Joint Ventures (2011)*



## 1. BASIS OF PREPARATION (CONTINUED)

### 1.1 Statement of compliance (continued)

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013 (continued)**

- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Government Loans*
- *Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)*
- *Amendments to MFRS 7, Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
- *Amendments to MFRS 10, Consolidated Financial Statements: Transition Guidance*
- *Amendments to MFRS 11, Joint Arrangements: Transition Guidance*
- *Amendments to MFRS 12, Disclosure of Interests in Other Entities: Transition Guidance*
- *Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)*
- *Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)*
- *Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)*
- *Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)*
- *IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014**

- *Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities*
- *Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities*
- *Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities*
- *Amendments to MFRS 132, Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*

#### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2015**

- *MFRS 9, Financial Instruments (2009)*
- *MFRS 9, Financial Instruments (2010)*
- *Amendments to MFRS 7, Financial Instruments: Disclosures – Mandatory Effective Date of MFRS 9 and Transition Disclosures*

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

- from the annual period beginning on 1 January 2013 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2013, except for MFRS 11, MFRS 128, Amendments to MFRS 1, Amendments to MFRS 11, and IC Interpretation 20 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2014 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2014.
- from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2015.

Material impacts of initial application of a standard, an amendment or an interpretation are discussed below:

#### **MFRS 9, Financial Instruments**

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities.

The adoption of MFRS 9 may result in a change in accounting policy for financial assets. The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

## 1. BASIS OF PREPARATION (CONTINUED)

### 1.1 Statement of compliance (continued)

#### **MFRS 10, Consolidated Financial Statements**

MFRS 10, Consolidated Financial Statements introduces a new single control model to determine which investees should be consolidated. MFRS 10 supersedes MFRS 127, *Consolidated and Separate Financial Statements* and IC Interpretation 112, *Consolidation – Special Purpose Entities*. There are three elements to the definition of control in MFRS 10: (i) power by investor over an investee, (ii) exposure, or rights, to variable returns from investor's involvement with the investee, and (iii) investor's ability to affect those returns through its power over the investee.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 10.

#### **MFRS 13, Fair Value Measurement**

MFRS 13, *Fair Value Measurement* establishes the principles for fair value measurement and replaces the existing guidance in different MFRSs. The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 13.

The initial application of other standards, amendments and interpretations is not expected to have any material financial impacts to the current and prior periods financial statements upon their first adoption.

### 1.2 Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### 1.3 Functional and presentation currency

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

### 1.4 Use of estimates and judgements

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

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

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

Note 2.3	– revaluation of owner occupied properties
Note 2.6	– financial instruments
Note 2.7	– determination of the recoverable amounts of cash-generating units
Note 2.8	– valuation of investment properties
Note 2.25.1	– valuation of general insurance claims liabilities
Note 2.25.2	– valuation of life insurance contract liabilities

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and in preparing the opening MFRS statements of financial position of the Group and of the Company at 1 January 2011 (the transition date to MFRS framework), unless otherwise stated.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of consolidation

#### 2.1.1 Subsidiaries

Subsidiaries are entities, including unincorporated entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control exists when the Company 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.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investments includes transaction costs.

#### 2.1.2 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

##### Acquisitions on or after 1 January 2011

For acquisitions on or after 1 January 2011, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

##### Acquisitions before 1 January 2011

As part of its transition to MFRS, the Group elected not to restate those business combinations that occurred before the date of transition to MFRSs, i.e. 1 January 2011. Goodwill arising from acquisitions before 1 January 2011 has been carried forward from the previous FRS framework as at the date of transition.

#### 2.1.3 Acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### 2.1.4 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.1 Basis of consolidation (continued)

#### 2.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

#### 2.1.6 Transactions eliminated on consolidation

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

### 2.2 Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting period except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

### 2.3 Property, plant and equipment

#### 2.3.1 Recognition and measurement

Items of property, plant and equipment except for work-in-progress are measured at cost/valuation less any accumulated depreciation and any accumulated impairment losses. Work-in-progress is stated at cost.

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

The revalued amounts of property are determined by using the comparison method. The comparison method entails critical analysis of recent evidence of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

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

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

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.3 Property, plant and equipment (continued)

#### 2.3.1 Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain and loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "realised gains and losses" in the profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

#### 2.3.2 Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

#### 2.3.3 Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in the profit or loss on a straight-line basis over the estimated useful lives of each component 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 lease period
Buildings	50 years
Office equipment, computers, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

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

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.4 Intangible assets****2.4.1 Goodwill**

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity accounted associates.

**2.4.2 Development costs**

Expenditure incurred on software development is capitalised, only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use the asset.

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the profit or loss 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, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The fair value of intangible assets acquired in a business combination is based on the discounted cash flows expected to be derived from the use and eventual sale of the assets.

**2.4.4 Subsequent expenditure**

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in the profit or loss as incurred.

**2.4.5 Amortisation**

Amortisation is based on the cost of an asset less its residual value.

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

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

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date they are available for use. The estimated useful lives for the current and comparative periods are as follows:

Capitalised software development costs	5 years
Other intangible assets	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 leases

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as property, plant and equipment.

#### 2.5.2 Operating leases

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

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in the profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

### 2.6 Financial instruments

#### 2.6.1 Initial recognition and measurement

A financial asset or a financial liability is recognised in the statements of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised 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. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Financial instruments (continued)

#### 2.6.2 Financial instruments categories and subsequent measurement

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

##### **Financial assets**

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

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

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

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

##### **(b) Held-to-maturity investments**

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

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

##### **(c) Loans and receivables, excluding insurance receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market that include staff loans, other receivables, deposits and cash and cash equivalents.

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

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

##### **(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 interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.6 Financial instruments (continued)

#### 2.6.2 Financial instruments categories and subsequent measurement (continued)

##### Financial assets (continued)

##### (e) Insurance receivables (continued)

If there is objective evidence that the insurance receivable is impaired, the carrying amount of the insurance receivable will be reduced accordingly and the impairment loss recognised in profit or loss. The Group gathers the objective evidence that an insurance receivable is impaired using the same process adopted for financial assets carried at amortised cost. The impairment loss is calculated under the same method used for these financial assets. These processes are described in Note 2.7.2.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.6.5 have been met.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.7).

##### Financial liabilities

All financial liabilities are 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.

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

#### 2.6.3 Financial guarantee contracts

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

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

#### 2.6.4 Regular way purchase or sale of financial assets

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

### 2.6 Financial instruments (continued)

#### 2.6.4 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.

#### 2.6.5 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or 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 profit or loss.

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

### 2.7 Impairment

#### 2.7.1 Financial assets, excluding insurance receivables

All financial assets (except for financial assets categorised as fair value through profit or loss, investment 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 investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the financial asset's recoverable amount is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7.2 below) and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in the profit or loss and is measured as the difference between the financial asset's acquisition cost (net of any principal repayment and amortisation) and the financial asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Impairment (continued)

#### 2.7.1 Financial assets, excluding insurance receivables (continued)

If, in a subsequent financial period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

#### 2.7.2 Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in the profit or loss.

#### 2.7.3 Other 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 (known as "cash-generating unit"). For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the 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 or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.7 Impairment (continued)

#### 2.7.3 Other assets (continued)

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation reserve. When an impairment loss on the same revalued asset was previously recognised in the profit or loss, a reversal of that impairment loss is recognised in the profit or loss.

### 2.8 Investment properties

#### 2.8.1 Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in the profit or loss for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss in the period in which the item is derecognised.

#### 2.8.2 Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised in other comprehensive income and accumulated in equity as revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

#### 2.8.3 Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

The 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.



## **2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **2.8 Investment properties (continued)**

#### **2.8.3 Determination of fair value (continued)**

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

### **2.9 Non-current assets held for sale**

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

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

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to financial assets, deferred tax assets and investment 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 profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

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

### **2.10 Cash and cash equivalents and placements with financial institutions**

Cash and cash equivalents consist of cash on hands, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.6.2 (c).

### **2.11 Equity instruments**

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

#### **i) Ordinary shares**

Ordinary shares are classified as equity.

#### **ii) Preference share capital**

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

### **2.12 Provisions**

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.12 Provisions (continued)

#### Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

### 2.13 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

### 2.14 Product classification

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

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

Financial risk is the risk of a possible future change in 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 as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or 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)

### 2.14 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 and unbundling 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.

### 2.15 Reinsurance

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

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

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

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

The insurance subsidiary also assumes reinsurance risk in the normal course of business for 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 expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

### 2.16 General insurance underwriting results

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.16 General insurance underwriting results (continued)****2.16.1 Premium income****(a) Gross premiums**

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

**(b) Reinsurance premiums**

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

**2.16.2 Unearned premium reserves ("UPR")**

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) method for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward treaty business
- Non-annual policies are time-apportioned over the period of the risks

**2.16.3 Claims and expenses**

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the end of the reporting period.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the end of the reporting period, using a mathematical method of estimation.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.16 General insurance underwriting results (continued)

#### 2.16.4 Acquisition costs and deferred acquisition cost ("DAC")

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

DAC is derecognised when the related contracts are either settled or disposed of.

#### 2.16.5 General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

##### Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the insurance subsidiary, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date. These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") calculated at the overall insurance subsidiary level. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

##### Premium liabilities

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD calculated at the overall insurance subsidiary level.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally the reserve is released over the term of the contract and is recognised as premium income.

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred during administering these policies and settling the relevant claims, and expected future premium refunds.

### 2.17 Life insurance underwriting results

#### 2.17.1 Surplus of Life fund

The surplus transferable from the Life fund to the profit or loss is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Insurance Act, 1996 by the insurance subsidiary's appointed actuary.

**2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****2.17 Life insurance underwriting results (continued)****2.17.2 Gross premiums**

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial period, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in the profit or loss and reported as outstanding premiums in the statements of financial position.

**2.17.3 Reinsurance premiums**

Gross reinsurance premiums are recognised as an expense when payable or on the date on which the policy is effective.

**2.17.4 Benefits, claims and expenses**

Benefits and claims that are incurred during the financial 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;
- 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.

**2.17.5 Life insurance contract liabilities**

Life insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method. 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 actuarial liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities 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.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.17 Life insurance underwriting results (continued)

#### 2.17.5 Life insurance contract liabilities (continued)

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums 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 insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract, whereas losses are fully recognised in profit or loss during the first year of run-off.

The liability is derecognised when the contract expires, is discharged or is cancelled.

#### 2.17.6 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 profit or loss. Fair value is determined through the use of prospective discounted cash flow techniques. For unitised contracts, fair value is calculated as the number of units allocated to the policyholder in each investment-linked fund multiplied by the unit-price of those funds at the end of the reporting period. The fund assets and fund liabilities used to determine the unit-prices at the end of the reporting period are adjusted to take into account the effect of deferred tax on unrealised gains 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.

### 2.18 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.

### 2.19 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 profit or loss in the period in which they are incurred or deferred where appropriate as set out in Note 2.16.4.

### 2.20 Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.20 Other revenue recognition (continued)

#### 2.20.1 Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except where an interest bearing investment is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

#### 2.20.2 Rental income

Rental income from investment properties and self-occupied properties are recognised in the profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis. Rental income from subleased property is recognised as other income.

#### 2.20.3 Dividend income

Dividend income is recognised in the profit or loss on the date the Group's and the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

#### 2.20.4 Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

### 2.21 Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to the statutory pension funds are charged to the profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations.

### 2.22 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, insurance contract liabilities or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax base. Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.22 Income tax (continued)

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.8.1, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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.

### 2.23 Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

### 2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### 2.25 Significant accounting judgements, estimates and assumptions

#### 2.25.1 Valuation of general insurance claims liabilities

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### 2.25 Significant accounting judgements, estimates and assumptions (continued)

#### 2.25.1 Valuation of general insurance claims liabilities (continued)

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the 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 include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

#### 2.25.2 Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM.

The life insurance contract liability is valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The expected future cash flow is determined using best estimate assumptions and with due regard to significant recent experience.

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 actuarial liabilities of investment-linked policies.

For a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the 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; applied to 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 actuarial 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 zero-coupon spot yields of Malaysian Government Securities ("MGS") with matching duration. Risk-free discount rate for durations of 15 years or more is zero-coupon spot yields of MGS with 15 years term to maturity. Duration is the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

### 3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work- in- progress # RM'000	Total RM'000
<b>Cost/Valuation</b>									
At 1 January 2011		16,124	15,140	26,610	33,061	3,204	21,351	4,965	120,455
Additions		-	-	-	3,696	380	1,270	5,474	10,820
Disposals		-	-	-	(1,790)	(921)	(6)	-	(2,717)
Written off		-	-	-	(1,573)	-	(3,375)	-	(4,948)
Reclassification	4	-	-	-	5,666	-	1,969	(8,220)	(585)
Revaluation		3,752	612	-	-	-	-	-	4,364
At 31 December 2011/ 1 January 2012		19,876	15,752	26,610	39,060	2,663	21,209	2,219	127,389
Additions		-	-	-	8,614	-	1,244	3,514	13,372
Disposals		-	-	-	(507)	-	-	(402)	(909)
Written off		-	-	-	(798)	-	(87)	(15)	(900)
Reclassification	4	-	-	-	2,776	-	894	(3,719)	(49)
Revaluation		730	18,652	-	-	-	-	-	19,382
At 31 December 2012		20,606	34,404	26,610	49,145	2,663	23,260	1,597	158,285

\* The carrying amounts of land and buildings are not segregated as the required information is not available.

# Certain work-in-progress were reclassified as software development costs (intangible assets), see Note 4.

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work- in- progress RM'000	Total RM'000
<b>Depreciation</b>									
1 January 2011		695	1,982	1,840	17,362	1,515	8,597	-	31,991
Depreciation for the year	28	197	657	565	6,783	798	2,400	-	11,400
Disposals		-	-	-	(1,350)	(621)	(4)	-	(1,975)
Written off		-	-	-	(1,440)	-	(2,646)	-	(4,086)
Offset of accumulated depreciation on revaluation		(735)	(2,055)	-	-	-	-	-	(2,790)
At 31 December 2011/ 1 January 2012		157	584	2,405	21,355	1,692	8,347	-	34,540
Depreciation for the year	28	202	568	813	7,804	316	2,476	-	12,179
Disposals		-	-	-	(330)	-	-	-	(330)
Written off		-	-	-	(711)	-	(87)	-	(798)
Offset of accumulated depreciation on revaluation		(26)	(48)	-	-	-	-	-	(74)
At 31 December 2012		333	1,104	3,218	28,118	2,008	10,736	-	45,517

\* The carrying amounts of land and buildings are not segregated as the required information is not available.

**3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>Group</b>	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work- in- progress RM'000	Total RM'000
<b>Impairment</b>								
At 1 January 2011	-	-	(1,041)	-	-	-	-	(1,041)
Additions	-	-	-	-	-	-	-	-
At 31 December 2011/ 1 January 2012/ 31 December 2012	-	-	(1,041)	-	-	-	-	(1,041)
<b>Carrying amounts</b>								
At 1 January 2011	15,429	13,158	23,729	15,699	1,689	12,754	4,965	87,423
At 31 December 2011/ 1 January 2012	19,719	15,168	23,164	17,705	971	12,862	2,219	91,808
At 31 December 2012	20,273	33,300	22,351	21,027	655	12,524	1,597	111,727

\* The carrying amounts of land and buildings are not segregated as the required information is not available.

<b>Company</b>	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work- in- progress RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2011	20	1,730	15	1	1,766
Additions	139	-	-	2	141
Disposals	-	(395)	-	-	(395)
Written off	(2)	-	-	-	(2)
At 31 December 2011/ 1 January 2012	157	1,335	15	3	1,510
Additions	116	-	-	-	116
Disposals	-	-	-	-	-
Written off	-	-	-	-	-
At 31 December 2012	273	1,335	15	3	1,626



### 3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work- in-progress RM'000	Total RM'000
<b>Depreciation</b>						
At 1 January 2011		10	923	14	-	947
Depreciation for the year	28	20	252	1	-	273
Reclassification		(4)	13	(9)	-	-
Disposals		-	(382)	-	-	(382)
At 31 December 2011/ 1 January 2012		26	806	6	-	838
Depreciation for the year	28	39	177	-	-	216
Reclassification		-	-	-	-	-
Disposals		-	-	-	-	-
At 31 December 2012		65	983	6	-	1,054
<b>Carrying amounts</b>						
At 1 January 2011		10	807	1	1	819
At 31 December 2011/ 1 January 2012		131	529	9	3	672
At 31 December 2012		208	352	9	3	572

#### 3.1 Revaluation of properties

All the Group's land and buildings were revalued in October 2011, except Bright Mission Berhad ("BMB") in June 2012, by independent professional qualified valuers using the comparison method.

Had the land and buildings of the Group been carried under the cost model, their carrying amounts would have been as follows:

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Land	12,193	12,304	12,404
Buildings	7,408	7,662	7,916
Land and buildings	20,985	21,736	24,724
	40,586	41,702	45,044

#### 3.2 Leased computers

At 31 December 2012, the net carrying amounts of leased computers of the Group was RM53,000 (31.12.2011: RM162,000; 1.1.2011: RM1,156,000).

#### 3.3 Land

Included in the carrying amounts of land are:

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Freehold land	7,449	7,449	5,760
Long term leasehold land with unexpired lease period of more than 50 years	12,824	12,270	9,669
	20,273	19,719	15,429

**4. INTANGIBLE ASSETS**

Group	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2011		244,600	14,998	88,933	348,531
Additions		-	149	-	149
Reclassification	3	-	585	-	585
At 31 December 2011/ 1 January 2012		244,600	15,732	88,933	349,265
Additions		-	416	-	416
Reclassification	3	-	49	-	49
At 31 December 2012		244,600	16,197	88,933	349,730
<b>Amortisation</b>					
At 1 January 2011		-	9,259	29,643	38,902
Amortisation for the year	28	-	2,456	8,893	11,349
At 31 December 2011/ 1 January 2012		-	11,715	38,536	50,251
Amortisation for the year	28	-	2,549	8,893	11,442
At 31 December 2012		-	14,264	47,429	61,693
<b>Carrying amounts</b>					
At 1 January 2011		244,600	5,739	59,290	309,629
At 31 December 2011/ 1 January 2012		244,600	4,017	50,397	299,014
At 31 December 2012		244,600	1,933	41,504	288,037

**4.1 Goodwill**

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990	4,990
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/ Bright Mission Berhad ("BMB")	239,610	239,610	239,610
	244,600	244,600	244,600

AGIC and BMB (formerly known as Commerce Assurance Berhad ("CAB")) entered into a Business Transfer Agreement dated 17 September 2008 ("BTA") to undertake a scheme of transfer under Part XI of the Insurance Act, 1996 as approved by BNM ("Scheme"), which involved the transfer and vesting by CAB to AGIC of CAB's entire general insurance business, undertaking of assets including CAB's liabilities and obligations save for the specified excluded assets and liabilities as detailed in the BTA. The Scheme was confirmed by the High Court of Malaya on 9 December 2008 and took effect on 1 January 2009. Consequently, the carrying amount of goodwill arising from the acquisition of CAB has now been allocated to the entire integrated general insurance business of the Group.

**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 calculated based on the share of net assets as at 31 December 2012 and the projected future financial performance of the general insurance business.

## 4. INTANGIBLE ASSETS (CONTINUED)

### 4.1 Goodwill (continued)

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.

### 4.3 Other intangible assets

The other intangibles assets are as follows:

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Cost</b>				
The Bancassurance Agreement	4.3.1	88,933	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	3.5 – 8.3% per annum
Discount rate	9%
Investment yield	3.1% – 3.6% per annum

**5. DEFERRED ACQUISITIONS COSTS**

<b>Group</b>	<b>Note</b>	<b>Gross RM'000</b>	<b>Reinsurance RM'000</b>	<b>Net RM'000</b>
At 1 January 2011		59,648	(17,050)	42,598
Movement during the year	26	11,086	(4,017)	7,069
At 31 December 2011/1 January 2012		70,734	(21,067)	49,667
Movement during the year	26	12,481	(2,833)	9,648
At 31 December 2012		83,215	(23,900)	59,315

**6. INVESTMENT PROPERTIES**

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
At 1 January		3,732	3,392
Change in fair value recognised in profit or loss	25	1,230	340
At 31 December		4,962	3,732

<b>Group</b>	<b>31.12.2012 RM'000</b>	<b>31.12.2011 RM'000</b>	<b>1.1.2011 RM'000</b>
Included in the above are:			
At fair value			
Freehold land	610	610	410
Long term leasehold land	1,472	242	242
Buildings	2,880	2,880	2,740
	4,962	3,732	3,392

The fair values of investment properties are determined by C H Williams Talhar & Wong Sdn Bhd, independent professional qualified valuers using the comparison method.

The following are recognised in the profit or loss in respect of investment properties:

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Rental income	23	96	96
Direct operating expenses			
- income generating investment properties		(6)	(3)

**7. INVESTMENTS IN SUBSIDIARIES**

<b>Company</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
<b>At cost</b>		
Unquoted shares:		
At 1 January/31 December	1,084,521	1,084,521

## 7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The principal activities of the subsidiaries, the place of incorporation and the interest of the Company are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest		
			31.12.2012	31.12.2011	1.1.2011
			%	%	%
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance	Malaysia	100	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance	Malaysia	100	100	100
Bright Mission Berhad ("BMB")	Investment holding	Malaysia	100	100	100

## 8. INVESTMENTS

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Malaysian government securities	2,371,325	2,086,180	1,617,404
Malaysian government guaranteed bonds and loans	1,041,840	665,251	367,006
Ringgit denominated bonds by foreign issuers in Malaysia	327,502	191,123	190,107
Multilateral development bank guaranteed bonds	-	135,539	155,450
Quoted equity securities of corporations in Malaysia	554,300	380,408	340,476
Quoted equity securities of corporations outside Malaysia	-	-	15,911
Unquoted equity securities of corporations in Malaysia	2,148	2,148	2,148
Quoted bonds of corporations in Malaysia	-	-	9,201
Unquoted bonds of corporations in Malaysia	1,890,807	1,525,128	1,440,164
Quoted unit trusts in Malaysia	84,025	77,230	48,088
Unquoted unit trusts in Malaysia	1,928	375	384
Unquoted unit trusts outside Malaysia	49,104	23,234	30,002
Forward starting interest rate swap	8,946	-	-
Negotiable certificates of deposits and structured deposits with licensed financial institutions	217,127	238,102	139,954
Government guaranteed loans	190,000	190,000	190,000
Commercial loans	-	-	12,750
Mortgage loans	80	89	97
Policy loans	12,098	10,602	9,819
Automatic premium loans	61,920	51,810	44,240
Fixed and call deposits with: Licensed banks	13,068	14,678	20,140
	6,826,218	5,591,897	4,633,341

**8. INVESTMENTS (CONTINUED)**

Financial investments are summarised by categories as follows:

Group	Note	Current		Non-current		Total	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Held-to-maturity financial assets ("HTM")	(a)	10,000	-	1,113,735	791,776	1,123,735	791,776
Available-for-sale financial assets ("AFS")	(b)	3,165,574	2,575,483	-	-	3,165,574	2,575,483
Loans and receivables ("LAR")	(c)	87,101	79,740	190,065	190,074	277,166	267,179
Fair value through profit or loss ("FVTPL")							
- Held for trading ("HFT")	(d)	556,496	353,652	-	-	556,496	353,652
- Designated upon initial recognition ("DUIR")	(e)	1,703,247	1,603,807	-	-	1,703,247	1,603,807
		5,522,418	4,610,047	1,303,800	981,850	6,826,218	5,591,897
			3,831,048		802,293		4,633,341



## 8. INVESTMENTS (CONTINUED)

### (a) Held-to-maturity financial assets

Group	Amortised cost	Fair value	Amortised cost	Fair value	Amortised cost	Fair value
	31.12.2012 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	1.1.2011 RM'000
Malaysian government securities	570,826	590,812	495,276	514,782	360,124	369,504
Malaysian government guaranteed bonds	443,189	464,204	186,838	196,955	125,391	133,490
Multilateral development bank guaranteed bonds	-	-	-	-	12,053	12,046
Ringgit denominated bonds by foreign issuers in Malaysia	109,720	112,750	109,662	113,009	107,547	109,687
	1,123,735	1,167,766	791,776	824,746	605,115	624,727

### (b) Available-for-sale financial assets

Group	31.12.2012 RM'000	Fair value 31.12.2011 RM'000	1.1.2011 RM'000
Malaysian government securities	1,227,948	1,101,936	906,540
Malaysian government guaranteed bonds and loans	437,797	374,798	180,190
Ringgit denominated bonds by foreign issuers in Malaysia	149,511	13,694	13,594
Multilateral development bank guaranteed bonds	-	135,539	143,397
Quoted bonds of corporations in Malaysia	-	-	5,404
Unquoted bonds of corporations in Malaysia	853,570	583,535	578,950
Quoted equity securities of corporations in Malaysia	317,557	215,655	204,045
Quoted equity securities of corporations outside Malaysia	-	-	15,911
Quoted unit trusts in Malaysia	77,251	75,656	47,856
Unquoted unit trusts in Malaysia	1,017	375	384
Unquoted unit trusts outside Malaysia	35,277	8,270	10,897
Negotiable certificates of deposits and structured deposits with licensed financial institutions	63,498	63,877	40,555
	3,163,426	2,573,335	2,147,723

Group	31.12.2012 RM'000	Cost 31.12.2011 RM'000	1.1.2011 RM'000
Unquoted equity securities of corporations in Malaysia	2,148	2,148	2,148
Total available-for-sale financial assets	3,165,574	2,575,483	2,149,871

**8. INVESTMENTS (CONTINUED)****(c) Loans and receivables**

Group	Amortised	Fair value	Amortised	Fair value	Amortised	Fair value
	cost		cost		cost	
	31.12.2012	31.12.2012	31.12.2011	31.12.2011	1.1.2011	1.1.2011
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Government guaranteed loans	190,000	190,000	190,000	190,000	190,000	190,000
Commercial loans	-	-	-	-	12,622	12,622
Mortgage loans	80	80	89	89	97	97
Policy loans	12,098	12,098	10,602	10,602	9,819	9,819
Automatic premium loans	61,920	61,920	51,810	51,810	44,240	44,240
Fixed and call deposits with: Licensed banks	13,068	13,068	14,678	14,678	20,140	20,140
	277,166	277,166	267,179	267,179	276,918	276,918

**(d) FVTPL – Held for trading**

Group	Fair value		
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Malaysian government securities	73,438	32,431	7,635
Malaysian government guaranteed bonds	36,797	15,197	-
Ringgit denominated bonds by foreign issuers in Malaysia	5,273	5,163	5,018
Quoted bonds of corporations in Malaysia	-	-	775
Unquoted bonds of corporations in Malaysia	143,617	90,340	67,724
Quoted equity securities of corporations in Malaysia	236,743	164,753	136,431
Quoted unit trusts in Malaysia	6,774	1,574	232
Unquoted unit trusts outside Malaysia	13,827	14,964	19,105
Unquoted unit trusts in Malaysia	911	-	-
Forward starting interest rate swap	8,946	-	-
Negotiable certificates of deposits and structured deposits with licensed financial institutions	30,170	29,230	29,577
Commercial loans	-	-	128
	556,496	353,652	266,625

**(e) FVTPL - Designated upon initial recognition**

Group	Fair value		
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Malaysian government securities	499,113	456,537	343,105
Malaysian government guaranteed bonds	124,057	88,418	61,425
Ringgit denominated bonds by foreign issuers in Malaysia	62,998	62,604	63,948
Quoted bonds of corporations in Malaysia	-	-	3,022
Unquoted bonds of corporations in Malaysia	893,620	851,253	793,490
Negotiable certificates of deposits and structured deposits with licensed financial institutions	123,459	144,995	69,822
	1,703,247	1,603,807	1,334,812
Total fair value through profit or loss financial investments	2,259,743	1,957,459	1,601,437

## 8. INVESTMENTS (CONTINUED)

Carrying values of financial instruments

Group	Note	HTM RM'000	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
<b>At 1 January 2011</b>		605,115	2,149,871	276,918	266,625	1,334,812	4,633,341
Purchases/placements		196,304	1,312,476	11,060,040	364,649	367,410	13,300,879
Maturities		(10,000)	(355,220)	(11,064,254)	(11,999)	(117,026)	(11,558,499)
Disposals		-	(531,144)	(5,525)	(267,118)	(4,227)	(808,014)
Fair value gains/(losses) recorded in:							
• Profit or loss:							
- Unrealised gains	25	-	-	-	558	20,372	20,930
- Unrealised forex exchange gains		-	-	-	726	-	726
- Movement in impairment allowance	25	-	(389)	-	-	-	(389)
• Other comprehensive income		-	12,143	-	-	-	12,143
• Insurance contract liabilities	18(a)	-	(7,063)	-	-	-	(7,063)
Accretion of discounts		907	1,063	-	338	4,960	7,268
Amortisation of premiums		(550)	(6,254)	-	(127)	(2,494)	(9,425)
<b>At 31 December 2011/ At 1 January 2012</b>		791,776	2,575,483	267,179	353,652	1,603,807	5,591,897
Purchases/placements		368,635	1,220,913	11,926,888	428,600	370,966	14,316,002
Maturities		(37,000)	(185,000)	(11,916,901)	(20,000)	(148,760)	(12,307,661)
Disposals		-	(470,882)	-	(226,882)	(123,019)	(820,783)
Fair value gains/(losses) recorded in:							
• Profit or loss:							
- Unrealised gains/(losses)	25	-	-	-	20,894	(348)	20,546
- Unrealised foreign exchange gains		-	-	-	125	-	125
- Movement in impairment allowance	25	-	(8,889)	-	-	-	(8,889)
• Other comprehensive income		-	(1,727)	-	-	-	(1,727)
• Insurance contract liabilities	18(a)	-	41,384	-	-	-	41,384
Accretion of discounts		1,053	760	-	326	3,392	5,531
Amortisation of premiums		(729)	(6,468)	-	(219)	(2,791)	(10,207)
<b>At 31 December 2012</b>		1,123,735	3,165,574	277,166	556,496	1,703,247	6,826,218

**9. INSURANCE RECEIVABLES**

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Current</b>				
Due premiums including agents, brokers and co-insurers balances		122,734	86,621	88,537
Due from reinsurers and cedants		31,959	42,782	38,598
Group claims receivables		1,034	795	273
		155,727	130,198	127,408
Less: Allowance for impairment		(20,531)	(22,205)	(33,442)
Due from related companies	9.1	9,373	8,940	6,198
		144,569	116,933	100,164

**9.1 Amounts due from related companies**

The amounts due from related companies are unsecured.

**10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Non-current</b>				
<b>Other receivables</b>				
Other receivables, deposits and prepayments		7,523	8,660	7,570
Malaysian Institute of Insurance ("MII") bonds		590	590	590
		8,113	9,250	8,160
<b>Staff loans</b>				
Mortgage loans		3,487	3,236	3,349
Other secured loans		537	540	2,355
		4,024	3,776	5,704
		12,137	13,026	13,864
<b>Current</b>				
<b>Other receivables</b>				
Other receivables, deposits and prepayments		30,661	24,034	33,976
Sundry deposits		662	480	1,470
Less: Allowance for impairment		(4,043)	(3,579)	(3,605)
		27,280	20,935	31,841
Income due and accrued		63,852	51,087	46,577
Due from holding company	10.1	711	300	-
Due from related companies	10.2	775	1,406	889
Due from inter-fund	15	10,894	22,960	26,237
		103,512	96,688	105,544
<b>Staff loans</b>				
Mortgage loans		505	458	612
Other secured loans		219	260	577
		724	718	1,189
		104,236	97,406	106,733
<b>Total</b>		116,373	110,432	120,597

## 10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

### 10.1 Amounts due from holding company

The amounts due from holding company are unsecured, interest free and repayable on demand.

### 10.2 Amounts due from related companies

The amounts due from related companies are unsecured, interest free and repayable on demand.

Company	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Non-current</b>				
<b>Other receivables</b>				
Other receivables, deposits and prepayments		304	272	422
<b>Staff loans</b>				
Mortgage loans		690	553	751
Other secured loans		24	37	69
		714	590	820
		1,018	862	1,242
<b>Current</b>				
<b>Other receivables</b>				
Other receivables, deposits and prepayments		741	673	1,041
Income due and accrued		159	6	73
Due from subsidiaries	10.3	1,644	1,807	1,468
		2,544	2,486	2,582
<b>Staff loans</b>				
Mortgage loans		82	72	107
Other secured loans		8	20	29
		90	92	136
		2,634	2,578	2,718
<b>Total</b>		3,652	3,440	3,960

### 10.3 Amounts due from subsidiaries

The amounts due from subsidiaries are unsecured, interest free and repayable on demand.

## 11. ASSETS CLASSIFIED AS HELD FOR SALE

In 2010, the Group's general insurance subsidiary entered into an agreement to sell certain property, plant and equipment and investment property to an external party.

The assets classified as held for sale are as follow:

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment	11.1	-	-	1,740
Investment properties	11.2	-	-	700
		-	-	2,440

**11. ASSETS CLASSIFIED AS HELD FOR SALE (CONTINUED)****11.1 Property, plant and equipment**

Property, plant and equipment held for sale comprise of the following:

<b>Group</b>	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Freehold land			
Cost/Carrying amount	-	-	440
Buildings			
Cost	-	-	1,810
Accumulated depreciation	-	-	(151)
Impairment loss recognised	-	-	(359)
Carrying amount	-	-	1,300
<b>Total</b>	-	-	1,740

**11.2 Investment properties**

Investment properties held for sale comprise of the following:

<b>Group</b>	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Buildings			
At fair value	-	-	700

**12. REINSURANCE ASSETS**

<b>Group</b>	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Non-current</b>				
<b>Reinsurance of insurance contracts</b>				
General insurance claims liabilities		491,378	467,178	425,520
Life insurance actuarial liabilities		79,819	77,768	76,864
		571,197	544,946	502,384
<b>Current</b>				
<b>Reinsurance of insurance contracts</b>				
General insurance claims liabilities		381,189	419,211	388,070
General insurance premium liabilities		211,368	184,736	154,144
Life insurance actuarial liabilities		6,717	5,258	4,216
		599,274	609,205	546,430
<b>Total</b>	18	1,170,471	1,154,151	1,048,814

**13. BENEFITS AND CLAIMS LIABILITIES**

<b>Group</b>	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Current</b>			
Gross benefits and claims liabilities	96,928	79,727	68,852
Less: Recoverable from reinsurers	(12,115)	(11,154)	(9,307)
Net benefits and claims liabilities	84,813	68,573	59,545



## 14. INSURANCE PAYABLES

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Non-current</b>				
Performance bond deposits	14.1	20,467	13,351	16,589
<b>Current</b>				
Due to reinsurers and cedants		99,690	73,950	97,740
Due to agents, brokers, co-insurers and insurers		129,482	115,325	122,331
Due to holding company	14.2	82	40	-
Due to related companies	14.2	36,628	35,111	6,879
Performance bond deposits	14.1	42,584	45,405	48,201
		308,466	269,831	275,151
<b>Total</b>		<b>328,933</b>	<b>283,182</b>	<b>291,740</b>

### 14.1 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

### 14.2 Amounts due to holding company and related companies

The amounts due to holding company and related companies are unsecured.

## 15. OTHER PAYABLES AND ACCRUALS

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Non-current</b>				
Other payables and accrued expenses	15.1	57,814	56,900	49,817
Finance lease liabilities	15.2	21	64	104
		57,835	56,964	49,921
<b>Current</b>				
Other payables and accrued expenses	15.1	173,783	133,639	119,406
Finance lease liabilities	15.2	43	103	752
Due to holding company	15.3	-	-	385
Due to inter-fund	10	10,894	22,960	26,237
Due to related companies	15.3	-	-	126
		184,720	156,702	146,906
<b>Total</b>		<b>242,555</b>	<b>213,666</b>	<b>196,827</b>
<b>Company</b>				
<b>Current</b>				
Other payables and accrued expenses		1,883	1,469	1,523
Due to a subsidiary	15.3	133,205	133,205	133,205
		135,088	134,674	134,728

### 15.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group is an amount of RM76,886,000 (31.12.2011: RM72,023,000; 1.1.2011: RM61,428,000) relating to premium received in advance and RM15,600,000 (31.12.2011: RM15,181,000; 1.1.2011: RM15,102,000) relating to premium deposits.

**15. OTHER PAYABLES AND ACCRUALS (CONTINUED)****15.2 Finance lease liabilities**

	Minimum lease payments 31.12.2012 RM'000	Interest 31.12.2012 RM'000	Principal 31.12.2012 RM'000
<b>Group</b>			
Less than one year	46	3	43
Between one and five years	22	1	21
	68	4	64

	Minimum lease payments 31.12.2011 RM'000	Interest 31.12.2011 RM'000	Principal 31.12.2011 RM'000
<b>Group</b>			
Less than one year	111	8	103
Between one and five years	68	4	64
	179	12	167

	Minimum lease payments 1.1.2011 RM'000	Interest 1.1.2011 RM'000	Principal 1.1.2011 RM'000
<b>Group</b>			
Less than one year	784	32	752
Between one and five years	109	5	104
	893	37	856

**15.3 Amounts due to holding company, subsidiary and related companies**

The amounts due to holding company, subsidiary and related companies are unsecured, interest free and repayable on demand.

## 16. SUBORDINATED LOANS

### 16.1 Subordinated loans to subsidiaries - Company

#### **Subordinated loan to Allianz General Insurance Company (Malaysia) Berhad**

##### *Subordinated loan II*

The Subordinated loan II comprised:

- a) Subordinated loan arising from the Assets Purchase Agreement dated 26 March 2009 ("APA") of RM30,670,000, entered into between AGIC and the Company;
- b) Subordinated loan arising from the Master Subordinated Loan Agreement dated 26 March 2009 of RM19,785,000, 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 RM19,785,000 (2009: 13 out of 14 SPAs have been completed with a total consideration of RM18,333,000).

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.

AGIC had on 4 June 2010 repaid the sum of RM19,785,000 to the Company via the allotment and issuance of 19,784,796 new ordinary shares of RM1.00 each by AGIC at par to the Company and the balance of RM0.66 each was settled in cash by AGIC to the Company.

On 9 January 2012, AGIC sought BNM's consideration for the proposed repayment of the subordinated loan via cash consideration to the Company for an amount equivalent to RM30,670,000. BNM had on 1 March 2012 approved the application for the proposed repayment of the subordinated loan of AGIC.

AGIC had on 19 June 2012 repaid the sum of RM30,670,000 to the Company in cash consideration.

**17. DEFERRED TAX ASSETS AND LIABILITIES**

17.1 Recognised deferred tax assets/(liabilities) are attributable to the following:

Group	Assets			Liabilities			Net		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Property, plant and equipment	-	-	241	(13,547)	(7,607)	(6,091)	(13,547)	(7,607)	(5,850)
Intangible assets	-	-	-	(464)	(973)	(1,393)	(464)	(973)	(1,393)
Provisions	16,246	9,632	9,076	-	-	-	16,246	9,632	9,076
Available-for-sale:									
- Fair value reserve	-	-	-	(11,184)	(9,254)	(6,788)	(11,184)	(9,254)	(6,788)
Fair value movement recognised in profit or loss	-	-	-	(7,004)	(5,121)	(3,441)	(7,004)	(5,121)	(3,441)
Underwriting surplus	-	-	-	(93,140)	(81,402)	(70,832)	(93,140)	(81,402)	(70,832)
Net accretion/amortisation	201	-	-	-	-	-	201	-	-
Tax assets/(liabilities)	16,447	9,632	9,317	(125,339)	(104,357)	(88,545)	(108,892)	(94,725)	(79,228)
Set off	(10,192)	(9,632)	(7,243)	10,192	9,632	7,243	-	-	-
Net tax assets/(liabilities)	6,255	-	2,074	(115,147)	(94,725)	(81,302)	(108,892)	(94,725)	(79,228)
<b>Company</b>									
Property, plant and equipment	-	-	-	(40)	(29)	(10)	(40)	(29)	(10)
Net tax liabilities	-	-	-	(40)	(29)	(10)	(40)	(29)	(10)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity.

## 17. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

### 17.2 Movement in temporary differences during the year:

	At 1.1.2011 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other comprehensive income (Note 29.2) RM'000	Recognised in insurance contract liabilities (Note 29.3) RM'000	At 31.12.2011 /1.1.2012 RM'000	Recognised in profit or loss (Note 29) RM'000	Recognised in other comprehensive income (Note 29.2) RM'000	Recognised in insurance contract liabilities (Note 29.3) RM'000	At 31.12.2012 RM'000
<b>Group</b>									
Property, plant and equipment	(5,850)	(596)	(1,080)	(81)	(7,607)	(1,077)	(4,863)	-	(13,547)
Intangible assets	(1,393)	420	-	-	(973)	509	-	-	(464)
Provisions	9,076	556	-	-	9,632	6,614	-	-	16,246
Available-for-sale:									
- Fair value reserve	(6,788)	8	(3,039)	565	(9,254)	963	418	(3,311)	(11,184)
Fair value movement recognised									
in profit or loss	(3,441)	(1,680)	-	-	(5,121)	(1,883)	-	-	(7,004)
Underwriting surplus	(70,832)	(10,570)	-	-	(81,402)	(11,738)	-	-	(93,140)
Net accretion / amortisation	-	-	-	-	-	201	-	-	201
	(79,228)	(11,862)	(4,119)	484	(94,725)	(6,411)	(4,445)	(3,311)	(108,892)
<b>Company</b>									
Property, plant and equipment	(10)	(19)	-	-	(29)	(11)	-	-	(40)

**18. INSURANCE CONTRACT LIABILITIES**

<b>Group</b>	<b>Note</b>	<b>31.12.2012</b>			<b>31.12.2011</b>			<b>1.1.2011</b>		
		<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Life insurance	(a)	3,880,653	(86,536)	3,794,117	3,164,742	(83,026)	3,081,716	2,574,181	(81,080)	2,493,101
General insurance	(b)	2,682,342	(1,083,935)	1,598,407	2,463,498	(1,071,125)	1,392,373	2,161,314	(967,734)	1,193,580
		6,562,995	(1,170,471)	5,392,524	5,628,240	(1,154,151)	4,474,089	4,735,495	(1,048,814)	3,686,681
			Note 12			Note 12			Note 12	

**(a) Life insurance**

Life insurance contract liabilities consist of:

<b>Group</b>	<b>Note</b>	<b>31.12.2012</b>			<b>31.12.2011</b>			<b>1.1.2011</b>		
		<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>	<b>Gross</b>	<b>Reinsurance</b>	<b>Net</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Actuarial liabilities		3,239,571	(86,536)	3,153,035	2,615,883	(83,026)	2,532,857	2,107,457	(81,080)	2,026,377
Unallocated surplus		175,000	-	175,000	205,097	-	205,097	157,672	-	157,672
Available-for-sale fair value reserve		65,088	-	65,088	27,015	-	27,015	33,513	-	33,513
Net assets value attributable to unitholders	34	399,213	-	399,213	314,966	-	314,966	274,877	-	274,877
Revaluation reserve		1,781	-	1,781	1,781	-	1,781	662	-	662
		3,880,653	(86,536)	3,794,117	3,164,742	(83,026)	3,081,716	2,574,181	(81,080)	2,493,101



## 18. INSURANCE CONTRACT LIABILITIES (CONTINUED)

### (a) Life insurance (continued)

Group	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
<b>At 1 January 2011</b>	1,715,387	858,794	2,574,181	(2,154)	(78,926)	(81,080)	2,493,101
Premiums received (Note 22)	493,687	650,023	1,143,710	(9,525)	(58,105)	(67,630)	1,076,080
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(71,800)	(225,308)	(297,108)	6,557	45,155	51,712	(245,396)
Benefits and claims experience variation	(42,957)	(39,880)	(82,837)	396	(379)	17	(82,820)
Fees deducted	(96,784)	(261,402)	(358,186)	2,571	3,667	6,238	(351,948)
Expected interest on reserve/ net investment income attributable to Universal Life Fund	83,488	28,080	111,568	-	-	-	111,568
Adjustments due to changes in assumptions	18,118	(1,093)	17,025	(319)	8,036	7,717	24,742
Net asset value attributable to unitholders (Note 34)	-	14,343	14,343	-	-	-	14,343
Available-for-sale fair value reserve (Note 8)	(7,063)	-	(7,063)	-	-	-	(7,063)
Revaluation reserve	1,200	-	1,200	-	-	-	1,200
Unallocated surplus	47,425	-	47,425	-	-	-	47,425
Deferred tax effects: (Note 29.3)							
- Available-for-sale fair value reserve	565	-	565	-	-	-	565
- Revaluation reserve	(81)	-	(81)	-	-	-	(81)
<b>At 31 December 2011</b>	2,141,185	1,023,557	3,164,742	(2,474)	(80,552)	(83,026)	3,081,716

**18. INSURANCE CONTRACT LIABILITIES (CONTINUED)****(a) Life insurance (continued)**

Group	Gross			Reinsurance			Net
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Total RM'000	
<b>At 1 January 2012</b>	2,141,185	1,023,557	3,164,742	(2,474)	(80,552)	(83,026)	3,081,716
Premiums received (Note 22)	482,118	827,451	1,309,569	(8,802)	(66,048)	(74,850)	1,234,719
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(96,615)	(284,705)	(381,320)	6,814	60,095	66,909	(314,411)
Benefits and claims experience variation	(1,800)	(31,090)	(32,890)	1,379	2,267	3,646	(29,244)
Fees deducted	(78,282)	(319,103)	(397,385)	650	4,100	4,750	(392,635)
Expected interest on reserve/ net investment income attributable to Universal Life Fund	119,489	28,147	147,636	(125)	(2,323)	(2,448)	145,188
Adjustments due to changes in assumptions	16,450	12,890	29,340	-	(1,517)	(1,517)	27,823
Net asset value attributable to unitholders (Note 34)	-	32,985	32,985	-	-	-	32,985
Available-for-sale fair value reserve (Note 8)	41,384	-	41,384	-	-	-	41,384
Revaluation reserve	-	-	-	-	-	-	-
Unallocated surplus	(30,097)	-	(30,097)	-	-	-	(30,097)
Deferred tax effects: (Note 29.3)							
- Available-for-sale fair value reserve	(3,311)	-	(3,311)	-	-	-	(3,311)
- Revaluation reserve	-	-	-	-	-	-	-
<b>At 31 December 2012</b>	2,590,521	1,290,132	3,880,653	(2,558)	(83,978)	(86,536)	3,794,117

**(b) General insurance**

General insurance contract liabilities consist of:

Group	Note	← 31.12.2012 →			← 31.12.2011 →			← 1.1.2011 →		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		1,420,276	(664,510)	755,766	1,357,126	(699,336)	657,790	1,227,631	(658,994)	568,637
Provision for incurred but not reported claims ("IBNR")		501,178	(208,057)	293,121	453,673	(187,053)	266,620	368,545	(154,596)	213,949
Provision for outstanding claims	18.1	1,921,454	(872,567)	1,048,887	1,810,799	(886,389)	924,410	1,596,176	(813,590)	782,586
Provision for unearned premiums	18.2	760,888	(211,368)	549,520	652,699	(184,736)	467,963	565,138	(154,144)	410,994
		2,682,342	(1,083,935)	1,598,407	2,463,498	(1,071,125)	1,392,373	2,161,314	(967,734)	1,193,580

**18. INSURANCE CONTRACT LIABILITIES (CONTINUED)****(b) General insurance (continued)****18.1 Provision for outstanding claims**

Group	Note	2012			2011		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>At 1 January</b>		1,810,799	(886,389)	924,410	1,596,176	(813,590)	782,586
Claims incurred in the current accident year		947,235	(272,218)	675,017	863,518	(240,597)	622,921
Other movements in claims incurred in prior accident years		(117,002)	87,593	(29,409)	44,683	(35,360)	9,323
Claims paid during the year	27	(719,578)	198,447	(521,131)	(693,578)	203,158	(490,420)
<b>At 31 December</b>		1,921,454	(872,567)	1,048,887	1,810,799	(886,389)	924,410

**18.2 Provision for unearned premiums**

Group	Note	2012			2011		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
<b>At 1 January</b>		652,699	(184,736)	467,963	565,138	(154,144)	410,994
Premiums written during the year	22	1,673,949	(504,465)	1,169,484	1,463,084	(399,962)	1,063,122
Premiums earned during the year		(1,565,760)	477,833	(1,087,927)	(1,375,523)	369,370	(1,006,153)
<b>At 31 December</b>		760,888	(211,368)	549,520	652,699	(184,736)	467,963

## 19. SHARE CAPITAL

Group and Company	2012		2011	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
<b>Authorised:</b>				
<b>Ordinary shares of RM1 each</b>				
As at 1 January/31 December	600,000	600,000	600,000	600,000
<b>Irredeemable convertible preference shares of RM1 each</b>				
As at 1 January/31 December	400,000	400,000	400,000	400,000
<b>Issued and paid-up shares classified as equity instruments:</b>				
<b>Ordinary shares of RM1 each</b>				
As at 1 January	156,428	156,428	153,869	153,869
Issued during the year	2,208	2,208	2,559	2,559
As at 31 December	158,636	158,636	156,428	156,428
<b>Irredeemable convertible preference shares of RM1 each</b>				
As at 1 January	189,778	189,778	192,337	192,337
Conversion during the year	(2,208)	(2,208)	(2,559)	(2,559)
As at 31 December	187,570	187,570	189,778	189,778

During the financial year, the Group and the Company issued 2,208,000 (2011: 2,559,000) ordinary shares of RM1 each at par via conversion of ICPS of RM1 each.

## 20. RESERVES

Group	Note	31.12.2012	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000
Share premium	20.1	424,823	424,823	424,823
Revaluation reserve	20.2	25,122	10,529	5,655
Fair value reserve	20.3	19,347	20,656	11,552
Life non participating fund surplus		279,420	244,204	212,495
Retained earnings		745,868	591,594	471,781
		1,494,580	1,291,806	1,126,306
<b>Company</b>				
Share premium	20.1	424,823	424,823	424,823
Retained earnings		200,598	218,551	221,215
		625,421	643,374	646,038

### 20.1 Share premium

Group and Company	2012	2011
	RM'000	RM'000
At 1 January/31 December	424,823	424,823

**20. RESERVES (CONTINUED)****20.2 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 method.

	Group		Company	
	2012 RM'000	2011 RM'000	2012 RM'000	2011 RM'000
At 1 January	10,529	5,655	-	-
Revaluation of land and buildings	19,456	5,954	-	-
Effect of tax	(4,863)	(1,080)	-	-
At 31 December	25,122	10,529	-	-

**20.3 Fair value reserve**

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

	2012 RM'000	2011 RM'000
<b>Group</b>		
<b>Fair value reserve</b>		
At 1 January	20,656	11,552
Net (loss)/gain arising during the year	(1,727)	12,143
Effect of tax	418	(3,039)
At 31 December	19,347	20,656

**20.4 Retained earnings****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 and distribute all of its distributable reserves as at 31 December 2012 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from 1 January 2008. As such, the Section 108 tax credit as at 31 December 2012 will be available to the Company until such time the credit is fully utilised or upon expiry of the six years transitional period on 31 December 2013, whichever is earlier.

**Restriction on payment of dividends**

Pursuant to the RBC Framework for Insurers, the insurance subsidiaries of the Group ("Insurance Subsidiaries") shall not pay dividends if the Capital Adequacy Ratio position of the Insurance Subsidiaries is less than Insurance Subsidiaries' internal target capital level or if the payment of dividend would impair Insurance Subsidiaries' Capital Adequacy Ratio position to below Insurance Subsidiaries' internal target.



## 21. OPERATING REVENUE

<b>Group</b>	Note	2012 RM'000	2011 RM'000
Gross earned premiums	22	2,875,329	2,519,233
Investment income	23	272,270	232,431
		3,147,599	2,751,664
<b>Company</b>			
Investment income	23	1,838	14,845

## 22. NET EARNED PREMIUMS

<b>Group</b>	Note	2012 RM'000	2011 RM'000
<b>(a) Gross premiums</b>			
Insurance contracts:			
Life	18(a)	1,309,569	1,143,710
General	18.2	1,673,949	1,463,084
		2,983,518	2,606,794
Changes in unearned premiums provision			
Life		-	-
General		(108,189)	(87,561)
<b>Gross earned premiums</b>		2,875,329	2,519,233
<b>(b) Premiums ceded</b>			
Insurance contracts:			
Life	18(a)	(74,850)	(67,630)
General	18.2	(504,465)	(399,962)
		(579,315)	(467,592)
Changes in unearned premiums provision			
Life		-	-
General		26,632	30,592
<b>Premiums ceded to reinsurers</b>		(552,683)	(437,000)
<b>Net earned premiums</b>		2,322,646	2,082,233

**23. INVESTMENT INCOME**

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Rental of premises from:			
- investment properties	6	96	96
- owner occupied properties		56	53
<b>Held for trading financial assets</b>			
Coupon income from:			
- Malaysian government securities		1,785	743
- Malaysian government guaranteed bonds		1,174	369
- Ringgit denominated bonds by foreign issuers in Malaysia		246	246
- Quoted bonds of corporations in Malaysia		-	15
- Unquoted bonds of corporations in Malaysia		5,046	3,325
Dividend income from:			
- Quoted equity securities in Malaysia		6,916	5,710
- Quoted unit trusts in Malaysia		1,436	62
Interest income from/(to) licensed financial institutions:			
- Negotiable certificates of deposits		-	2
- Structured deposits		1,736	1,725
- Collateralised forward starting interest rate swap		(138)	-
Accretion of discounts on:			
- Malaysian government securities		39	1
- Quoted bonds of corporations in Malaysia		-	36
- Unquoted bonds of corporations in Malaysia		2	37
- Structured deposits		285	264
Amortisation of premiums on:			
- Malaysian government securities		(80)	(36)
- Malaysian government guaranteed bonds		(12)	(1)
- Unquoted bonds of corporations in Malaysia		(127)	(88)
- Negotiable certificates of deposits		-	(1)
- Structured deposits		-	(1)

## 23. INVESTMENT INCOME (CONTINUED)

Group	2012 RM'000	2011 RM'000
<b>Available-for-sale financial assets</b>		
Coupon income from:		
- Malaysian government securities	45,111	43,326
- Malaysian government guaranteed bonds	15,875	11,729
- Ringgit denominated bonds by foreign issuers in Malaysia	6,351	596
- Multilateral development bank guaranteed bonds	-	5,839
- Quoted bonds of corporations in Malaysia	-	475
- Unquoted bonds of corporations in Malaysia	31,932	24,437
Dividend income from:		
- Quoted equity securities in Malaysia	8,895	5,103
- Quoted unit trusts in Malaysia	3,602	3,776
- Unquoted unit trusts in Malaysia	13	12
Accretion of discounts on:		
- Malaysian government securities	654	52
- Malaysian government guaranteed bonds	102	228
- Ringgit denominated bonds by foreign issuers in Malaysia	4	4
- Quoted bonds of corporations in Malaysia	-	77
- Unquoted bonds of corporations in Malaysia	-	702
Amortisation of premiums on:		
- Malaysian government securities	(6,244)	(6,221)
- Malaysian government guaranteed bonds	(16)	(2)
- Unquoted bonds of corporations in Malaysia	(208)	(27)
- Negotiable certificates of deposits	-	(4)
Interest income from licensed financial institutions:		
- Negotiable certificates of deposits	2,488	2,794
- Structured deposits	105	106

**23. INVESTMENT INCOME (CONTINUED)**

<b>Group</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
<b>Held-to-maturity financial assets</b>		
Coupon income from:		
- Malaysian government securities	21,894	17,558
- Malaysian government guaranteed bonds	16,824	7,277
- Ringgit denominated bonds by foreign issuers in Malaysia	4,846	4,964
Accretion of discounts on:		
- Malaysian government securities	482	358
- Malaysian government guaranteed bonds	512	488
- Ringgit denominated bonds by foreign issuers in Malaysia	59	61
Amortisation of premiums on:		
- Malaysian government securities	(616)	(508)
- Government guaranteed bonds	(113)	(42)
<b>Fair value through profit or loss - Designated upon initial recognition financial assets</b>		
Coupon income from:		
- Malaysian government securities	20,221	17,357
- Malaysian government guaranteed bonds	4,033	3,165
- Ringgit denominated bonds by foreign issuers in Malaysia	2,789	2,812
- Quoted bonds of corporations in Malaysia	-	75
- Unquoted bonds of corporations in Malaysia	39,548	39,048
Interest income from licensed financial institutions:		
- Negotiable certificates of deposits	-	64
- Structured deposits	4,656	4,604
Accretion of discounts on:		
- Malaysian government securities	411	123
- Malaysian government guaranteed bonds	238	228
- Ringgit denominated bonds by foreign issuers in Malaysia	6	6
- Quoted bonds of corporations in Malaysia	-	188
- Unquoted bonds of corporations in Malaysia	1,621	2,597
- Structured deposits	1,116	1,818
Amortisation of premiums on:		
- Malaysian government securities	(1,874)	(1,668)
- Malaysian government guaranteed bonds	(23)	(1)
- Unquoted bonds of corporations in Malaysia	(894)	(806)
- Negotiable certificates of deposits	-	(19)

## 23. INVESTMENT INCOME (CONTINUED)

Group	2012 RM'000	2011 RM'000
<b>Loans and receivables</b>		
Interest income from:		
- Malaysian government guaranteed loans	8,703	8,656
- Commercial loans	-	330
- Mortgage loans	6	6
- Policy loans	833	748
- Automatic premium loans	4,304	3,650
Interest income from licensed financial institutions:		
- Fixed deposits	10,448	8,695
- Bank balances	5,116	5,040
	272,270	232,431
<b>Company</b>		
<b>Loans and receivables</b>		
Interest income from licensed financial institutions:		
- Fixed deposits	564	120
Dividend income from subsidiary (unquoted)	-	13,500
Other interest income	1,274	1,225
	1,838	14,845

## 24. REALISED GAINS AND LOSSES

Group	2012 RM'000	2011 RM'000
<b>Property, plant and equipment</b>		
Realised gains/(losses) on disposal	26	(60)
<b>Investment properties</b>		
Realised losses on disposal	-	(232)
<b>Financial assets</b>		
Realised gains on disposal:		
- Quoted equity securities of corporations in Malaysia	30,195	35,419
- Malaysian government securities	4,861	-
- Quoted unit trusts in Malaysia	4,084	-
- Unquoted unit trusts in Malaysia	114	-
- Unquoted bonds of corporations in Malaysia	5,565	1,287
- Unquoted debts securities in Malaysia	-	1,587
- Quoted debts securities in Malaysia	1,049	1
- Structured deposits	1,763	-
Realised losses on disposal:		
- Quoted equity securities of corporations outside Malaysia	-	(2,648)
- Quoted unit trusts outside Malaysia	(1,258)	(1,016)
- Put options	(1,451)	-
- Quoted bonds of corporations in Malaysia	-	(67)
- Unquoted bonds of corporations in Malaysia	-	(4)
Total realised gains for financial assets	44,922	34,559
Total net realised gains	44,948	34,267

**25. FAIR VALUE GAINS AND LOSSES**

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Investment properties	6	1,230	340
- Held for trading	8	20,894	558
- Designated upon initial recognition	8	(348)	20,372
Total fair value gains on financial assets at FVTPL		20,546	20,930
Impairment loss on financial investments	8	(8,889)	(389)
Total fair value gains on financial assets		12,887	20,881

**26. FEE AND COMMISSION****(a) Fee and commission income**

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Service charges		21,064	22,098
Deferred acquisition costs	5	(2,833)	(4,017)
Reinsurance commission income		85,456	54,926
Total fee and commission income		103,687	73,007

**(b) Fee and commission expense**

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
Group direct commission		492,123	449,861
Deferred acquisition costs	5	(12,481)	(11,086)
Total fee and commission expense		479,642	438,775

**27. NET BENEFITS AND CLAIMS**

<b>Group</b>	<b>Note</b>	<b>2012 RM'000</b>	<b>2011 RM'000</b>
<b>(a) Gross benefits and claims paid</b>			
Insurance contracts:			
Life	18(a)	(381,320)	(297,108)
General	18.1	(719,578)	(693,578)
		(1,100,898)	(990,686)
<b>(b) Claims ceded to reinsurers</b>			
Insurance contracts:			
Life	18(a)	66,909	51,712
General	18.1	198,447	203,158
		265,356	254,870
<b>(c) Gross change in contract liabilities</b>			
Insurance contracts:			
Life		(677,838)	(595,940)
General		(110,655)	(214,623)
		(788,493)	(810,563)



## 27. NET BENEFITS AND CLAIMS (CONTINUED)

Group	2012 RM'000	2011 RM'000
<b>(d) Change in contract liabilities ceded to reinsurers</b>		
Insurance contracts:		
Life	3,510	1,946
General	(13,822)	72,799
	(10,312)	74,745
<b>Net benefits and claims</b>	<b>(1,634,347)</b>	<b>(1,471,634)</b>

## 28. MANAGEMENT EXPENSES

Group	Note	2012 RM'000	2011 RM'000
Advertising and marketing expenses		12,968	6,497
Amortisation of intangible assets	4	11,442	11,349
Auditors' remuneration:			
- statutory audits, KPMG Malaysia		666	615
- other services		10	10
Insurance and other receivables:			
- impairment loss recovered		(373)	(233)
- impairment loss written off		982	6,675
- reversal of allowance for impairment loss		(1,210)	(11,113)
Bank charges		9,451	8,280
Depreciation of property, plant and equipment	3	12,179	11,400
Non-executive directors' fee and other emoluments	28.2	1,418	1,045
Employee benefits	28.1	178,935	140,277
Insurance levies		4,722	4,391
Rental of office equipment		192	122
Rental of premises to third party		7,045	7,448
Other expenses		99,955	83,864
		338,382	270,627
<b>Company</b>			
Advertising and marketing expenses		4	15
Auditors' remuneration:			
- statutory audits, KPMG Malaysia		125	125
- other services		10	10
Bank charges		2	2
Depreciation of property, plant and equipment	3	216	273
Employee benefits	28.1	1,930	1,707
Non-executive directors' fee and other emoluments	28.2	402	375
Rental of premises to third party		9	15
Other expenses		163	614
		2,861	3,136

**28. MANAGEMENT EXPENSES (CONTINUED)****28.1 Employee benefits**

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	138,676	109,109	1,641	1,478
Social security contributions	942	836	11	5
Contributions to Employee's Provident Fund	19,739	15,592	177	152
Other benefits	19,578	14,740	101	72
	178,935	140,277	1,930	1,707

**28.2 Key management personnel compensation**

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>Executive directors:</b>				
Salaries and other emoluments	963	910	147	140
Bonus	1,100	198	148	98
Contribution to Employee's Provident Fund	173	205	29	37
Estimated monetary value of benefits-in-kind	300	305	31	33
	2,536	1,618	355	308
<b>Non-executive directors:</b>				
Fees	1,032	704	318	248
Other emoluments	386	341	84	127
Estimated monetary value of benefits-in-kind	87	52	-	-
	1,505	1,097	402	375
Other key management personnel*				
Short term employee benefits	8,270	10,784	-	36

\* 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 and other emoluments received during the year falls within the following bands is:

	Number of directors			
	Group		Company	
	2012	2011	2012	2011
<b>Executive directors:</b>				
Below RM1,000,000	1	1	2	2
RM1,000,000 and above	1	1	-	-
<b>Non-executive directors:</b>				
Below RM100,000	2	2	4	4
RM100,001 – RM200,000	-	1	1	2
RM200,001 – RM300,000	1	2	-	-
RM300,001 – RM400,000	-	-	-	-
RM400,001 – RM500,000	1	-	-	-
RM500,001 – RM600,000	-	1	-	-
RM600,001 – RM700,000	1	-	-	-

## 28. MANAGEMENT EXPENSES (CONTINUED)

### 28.3 Chief executive officers remuneration

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Salaries and other emoluments	1,421	1,336	91	86
Bonus	1,388	738	106	11
Contribution to Employee's Provident Fund	269	331	16	19
Estimated monetary value of benefits-in-kind	317	321	29	30
	3,395	2,726	242	146
Amount included in employee benefit expenses	3,078	2,405	213	116

## 29. TAX EXPENSE/(CREDIT)

### 29.1 Recognised in the profit or loss

		Group		Company	
	Note	2012	2011	2012	2011
		RM'000	RM'000	RM'000	RM'000
<b>Current tax expense</b>					
Current year		85,287	70,270	23	1,611
(Over)/Under provision in prior years		(1,524)	3,023	(520)	638
		83,763	73,293	(497)	2,249
<b>Deferred tax expense</b>					
Origination and reversal of temporary differences		9,026	12,081	11	19
Over provision in prior years		(2,615)	(219)	-	-
	17.2	6,411	11,862	11	19
Tax expense/(credit)		90,174	85,155	(486)	2,268

### 29.2 Recognised directly in other comprehensive income

		2012	2011
		RM'000	RM'000
<b>Group</b>			
<b>Fair value reserve</b>			
At 1 January		6,861	3,822
Net (loss)/gain arising from change in fair value		(418)	3,039
At 31 December		6,443	6,861
<b>Revaluation reserve</b>			
At 1 January		1,102	22
Net gain arising from change in fair value		4,863	1,080
At 31 December		5,965	1,102

**29. TAX EXPENSE/(CREDIT) (CONTINUED)****29.3 Recognised in insurance contract liabilities**

<b>Group</b>	2012 RM'000	2011 RM'000
<b>Available-for-sale fair value reserves</b>		
At 1 January	3,103	3,668
Net gain/(loss) arising from change in fair value	3,311	(565)
At 31 December	6,414	3,103
<b>Revaluation reserve</b>		
At 1 January	132	51
Net gain arising from change in fair value	-	81
At 31 December	132	132

**29.4 Reconciliation of tax expense**

<b>Group</b>	2012 RM'000	2011 RM'000
Profit before tax	297,779	248,791
Tax at Malaysian tax rate of 25%	74,445	62,198
Life fund assessable investment income	11,270	10,663
Tax rate differential of 17% in respect of life fund	843	831
Income not subject to tax	(532)	(1,846)
Expenses not deductible for tax purposes	7,804	9,697
Other items	483	808
	94,313	82,351
(Over)/Under provision in prior years	(4,139)	2,804
Tax expense	90,174	85,155
<b>Company</b>		
(Loss)/Profit before tax	(324)	11,718
Tax at Malaysian tax rate of 25%	(81)	2,930
Income not subject to tax	(528)	(2,224)
Expenses not deductible for tax purposes	638	320
Other items	5	604
	34	1,630
(Over)/Under provision in prior years	(520)	638
Tax (credit)/expense	(486)	2,268

- i) The income of the general business and life business shareholders' fund is taxed at 25%. The income tax provided in the life fund for the current 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.

Previously, investment income and gains from disposal of investments from life fund was taxed twice, once at tax rate of 8% in the life fund and again at a tax rate of 25% when the surplus from life fund is transferred to shareholders' fund. In a Gazette Order on 21 April 2008 and effective from year of assessment 2008 onwards, insurance companies are permitted a set-off ("Section 110B Credits") from the total amount of tax imposed on the shareholders' fund to overcome the incidence of double taxation.

Section 110B credits are governed by a specific Inland Revenue Board ("IRB") guideline issued on 5 November 2008 which details the computation of said credits available to the shareholders' fund of an insurance company. Section 110B credits are applied before dividend tax credits when computing net tax payable to IRB.

## 29. TAX EXPENSE/(CREDIT) (CONTINUED)

### 29.4 Reconciliation of tax expense (continued)

- ii) Under Section 60 (10A) of the Income Tax Act, 1967 ("Act"), tax losses of the life fund are restricted for deduction against future statutory income of the life fund.

However, Section 60 is silent with regards to the utilisation of unabsorbed tax losses arising from the shareholders' fund. The industry in general (including ALIM), has in the past, adopted the position that the tax losses of the shareholders' fund should be preserved for utilisation against the taxable income from the same source. However, the tax authority has made adjustments to utilise the unabsorbed losses of the shareholders' fund to offset against the income of the life fund based on the general provision of the Act.

This will result in the tax losses from the shareholders' fund (that would be taxed at the corporate rate) to be offset against the taxable income of the life fund (that would be taxed at a lower rate of 8%).

Arising from the adjustments made by the tax authority, ALIM's taxation beginning from year of assessment 2010, has been prepared without bringing forward unabsorbed tax losses of the shareholders' fund.

The industry has appealed to the Ministry of Finance to allow tax losses of the shareholders' fund to be preserved for utilisation against the taxable income from the same source.

## 30. EARNINGS PER ORDINARY SHARE

### (a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2012 was based on the profit attributable to ordinary shareholders of RM207,605,000 (2011: RM163,636,000) and the weighted average number of ordinary shares in issued during the year of 157,021,000 (2011: 154,244,000).

Group	2012	2011
Profit attributable to ordinary shareholders (RM'000)	207,605	163,636
Weighted average number of shares in issue ('000)	157,021	154,244
Basic earnings per ordinary share (sen)	132.21	106.09

### (b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2012 was based on profit attributable to ordinary shareholders and a weighted average number of ordinary shares in issue after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Group	2012	2011
Profit attributable to ordinary shareholders (RM'000)	207,605	163,636
Weighted average number of shares in issue ('000)	157,021	154,244
Effect of conversion of ICPS, including bonus element ('000)	224,518	219,901
Diluted weighted average number of ordinary shares during the year ('000)	381,539	374,145
Diluted earnings per ordinary share (sen)	54.41	43.74

**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
<b>2012</b>			
Final 2011 ordinary	3.94	6,161	8 August 2012
<b>2011</b>			
Final 2010 ordinary	2.63	4,036	8 August 2011

	Sen per share (tax exempt)	Total amount RM'000	Date of payment
<b>2012</b>			
Final 2011 preference	6.30	11,954	8 August 2012
<b>2011</b>			
Final 2010 preference	4.20	8,078	8 August 2011

After the end of the reporting period, the following dividends were proposed by the Directors. These dividends will be recognised in subsequent financial period upon approval by the owners of the Company.

	Sen per share (net of tax)	Sen per share (tax exempt)
Final 2012 ordinary	4.88	-
Final 2012 preference	-	7.80

**32. OPERATING LEASES****32.1 Leases as lessee**

Total future minimum lease payments under non-cancellable operating leases are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Group</b>			
Less than one year	8,759	5,170	5,606
Between one and five years	4,847	4,591	8,375
	13,606	9,761	13,981

The leases typically run for an initial period of 1-5 years, with an option to renew the leases. None of the leases include contingent rentals.

**32.2 Leases as lessor**

The Group leases out its investment properties under operating leases (see Note 6). The future minimum lease receivables under non-cancellable leases are as follows:

	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Group</b>			
Less than one year	192	168	81
Between one and five years	220	203	32
	412	371	113

### 33. CAPITAL COMMITMENTS

Group	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Property, plant and equipment</b>			
Approved but not contracted for	34,929	28,846	17,051
Contracted but not provided for	4,865	2,927	4,769
<b>Exclusive distribution agreement</b>			
Contracted but not provided for	50,495	-	-

### 34. INVESTMENT-LINKED BUSINESS

#### Investment-linked funds statement of assets and liabilities

Group	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Assets</b>				
Financial investments		347,466	277,833	249,586
Interest and dividend receivables and other receivables		6,808	6,592	7,274
Cash and cash equivalents		49,989	35,945	30,492
<b>Total assets</b>		404,263	320,370	287,352
<b>Liabilities</b>				
Deferred tax liabilities		1,787	1,043	1,102
Other payables		197	103	124
Benefits and claims liabilities		2,931	4,102	11,247
Current tax liabilities		135	156	2
<b>Total liabilities</b>		5,050	5,404	12,475
<b>Net asset value of funds</b>	18(a)	399,213	314,966	274,877

#### Investment-linked funds statement of income and expenditure for the year ended 31 December

Group	Note	2012 RM'000	2011 RM'000
Investment income		14,944	12,080
Realised gains and losses		13,742	6,726
Fair value gains and losses		10,974	(792)
Other operating income		143	834
		39,803	18,848
Other operating expenses		(4,171)	(3,289)
Profit before tax		35,632	15,559
Tax expense		(2,647)	(1,216)
<b>Net profit for the year</b>	18(a)	32,985	14,343



## 35. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments. Each business segment is managed separately based on the Group's management and internal reporting structure.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

### Segment assets

The total segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

### Segment capital expenditure

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

### 35.1 Business segments

The Group comprises the following main business segments:

Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance business

### 35.2 Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

	Investment holding RM'000	General business and shareholders' fund RM'000	Life business RM'000	Consolidated RM'000
<b>Business segments</b>				
<b>2012</b>				
Segment revenue	10,383	1,658,634	1,478,582	3,147,599
Segment results	9,384	215,918	72,477	297,779
Profit before tax				297,779
Tax expense				(90,174)
Profit for the year				207,605
Segment assets	338,552	4,251,890	4,600,044	9,190,486
Segment liabilities	9,821	3,020,065	4,319,814	7,349,700
Inter-segment revenue	(4,176)	-	-	(4,176)
Capital expenditure	116	9,053	4,619	13,788
Depreciation of property, plant and equipment	1,012	8,418	2,749	12,179
Amortisation of intangible assets	-	11,396	46	11,442
Reversal of allowance for impairment lost on receivables	-	(2,285)	1,075	(1,210)
Amortisation of premiums	-	6,243	3,964	10,207
Accretion of discounts	-	(213)	(5,318)	(5,531)

### 35. OPERATING SEGMENTS (CONTINUED)

	Investment holding RM'000	General business and shareholders' fund RM'000	Life business RM'000	Consolidated RM'000
<b>Business segments</b>				
<b>2011</b>				
Segment revenue	9,267	1,456,918	1,285,479	2,751,664
Segment results	(2,236)	175,745	75,282	248,791
Profit before tax				248,791
Tax expense				(85,155)
Profit for the year				163,636
Segment assets	288,994	3,845,074	3,798,703	7,932,771
Segment liabilities	4,790	2,736,361	3,553,608	6,294,759
Inter-segment revenue	(17,626)	-	-	(17,626)
Capital expenditure	141	5,446	5,382	10,969
Depreciation of property, plant and equipment	822	7,928	2,650	11,400
Amortisation of intangible assets	-	11,304	45	11,349
Reversal of allowance for impairment lost on receivables	-	(11,510)	397	(11,113)
Amortisation of premiums	-	5,881	3,544	9,425
Accretion of discounts	-	(865)	(6,403)	(7,268)

### 36. RELATED PARTIES

#### 36.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the other party or exercise significant influence over the other party in making financial and operating decisions, or vice versa, or where the Group or the Company and the other party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly. The key management personnel include all the Directors of the Group and the Company, and certain members of Senior Management Committee of the Group and the Company. 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 with related parties are as follows:

	Amount transacted for the year ended 31 December 2012 RM'000	Amount transacted for the year ended 31 December 2011 RM'000
<b>Group</b>		
<b>Trade</b>		
<b>Ultimate holding company</b>		
Reinsurance premium	(230)	(527)
<b>Related companies*</b>		
Reinsurance premium and commission	(249,163)	(167,762)
Motor insurance premium	(161)	(146)
Insurance premium	(107)	(90)

**36. RELATED PARTIES (CONTINUED)****36.2 The significant transactions with related parties are as follows (continued):**

<b>Group</b>	Amount transacted for the year ended 31 December 2012 RM'000	Amount transacted for the year ended 31 December 2011 RM'000
<b>Non-trade</b>		
<b>Ultimate holding company</b>		
Reimbursement of Group incentive	-	51
Payment of personnel expenses	-	(349)
Payment of IT service costs	(215)	(135)
Payment of global marketing expenses	(984)	(912)
Share of human resource database platform expenses	(49)	(13)
Reimbursement of payment made on behalf	119	202
<b>Related companies*</b>		
(Purchase)/Redemption of investment in foreign unit trust	(34,405)	13,671
Payment of service fees	(5,454)	(4,548)
Payment of other expenses	(2,928)	(409)
Payment of fund management and fees	(1,801)	(1,351)
Payment of personnel expenses	(1,194)	(476)
Payment of telemarketing fee	-	(464)
Payment of brokerage fees for purchases and disposals of equities	(122)	(359)
Payment of intranet portal network cost	(284)	(304)
Insurance payment	(694)	(298)
Rental expenses	(267)	(226)
Rental income	117	98
Share of common expenses	(224)	62
Payment of software license	(41)	-

\* Related companies are companies within the Allianz SE group.

The terms and conditions for the above transactions are based on normal trade terms.

Significant related party balances related to the above transactions are disclosed in Note 9, 10, 14, 15 and 16.

### 36. RELATED PARTIES (CONTINUED)

#### 36.2 The significant transactions with related parties are as follows (continued):

	Amount transacted for the year ended 31 December 2012 RM'000	Amount transacted for the year ended 31 December 2011 RM'000
<b>Company</b>		
<b>Non-trade</b>		
<b>Subsidiaries</b>		
Proceeds from repayment of subordinated loan	30,670	-
Reimbursement of expenses related to common resources	8,838	7,223
Reimbursement of payment made on behalf	861	677
Rental of other premises - (expense)/income	(9)	33

The terms and conditions for the above transactions are based on normal trade terms.

Significant related party balances related to the above transactions are disclosed in Note 10, 15 and 16.

### 37. RISK MANAGEMENT FRAMEWORK

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is an integrated part of the Group's business process. In order to protect the assets of the Group, the Group has established a risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are identified, analysed and evaluated. Risk appetite is defined by a risk strategy and limit structure. Close monitoring and reporting allows the Group to detect deviations from its risk tolerance limits at an early stage.

The Allianz risk management 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 form 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 qualitative and quantitative risk reporting and controlling framework provides transparency and early warning indicators to senior management with regards to its overall risk profile and whether 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 returns are appropriate for the risks taken and that the delegated authorities are in line with the Group's overall risk bearing capacity. The risk-return profile is improved through integration of risk considerations and capital needs into management and decision making process. This also keeps risk strategy and business objectives consistent with each other and allows the Group to take opportunities within its risk appetite.

### 37. RISK MANAGEMENT FRAMEWORK (CONTINUED)

#### Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Group's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

#### Risk governance structure

The Board of Directors of the Company (the "Board") assumes the ultimate responsibility over the effectiveness of the Group's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the 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 the Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

RMC serves as and provides 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 in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendation to the Board. RMWC determines the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversees the compliance of all risk management process by all departments of the Group and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

#### Asset and Liability Management ("ALM") Framework

An Asset-Liability Working Group has been tasked to manage business practices so that decisions and actions taken with respect to assets and liabilities are coordinated. It involves various management activities and responsibilities, including the formulation of long-term strategic goals and objectives and the management of various risks including liquidity risk, interest rate risk and market risk.

The ALM process chosen will reflect external and internal constraints.

- External constraints include supervisory and legislative requirements, the interests and expectations of policyholders and other stakeholders. A significant constraint is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.
- Internal constraints such as asset allocation limits reflect the Company's management philosophy or professional judgement (although this may also be influenced by external constraints).

#### Governance and regulatory framework

The Group is required to comply with the requirements of the Insurance Act and Regulations, 1996, relevant laws and guidelines from BNM, Life Insurance Association Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Bursa Securities Malaysia Berhad.

The Group is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the stricter will apply.

### 38. INSURANCE RISK

Underwriting risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims, frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group seeks to minimise 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.

#### 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			Net
	With DPF RM '000	Without DPF RM '000	Total RM '000	With DPF RM '000	Without DPF RM '000	Total RM '000	
<b>31 December 2012</b>							
Whole life	1,521,604	260,279	1,781,883	-	(16,267)	(16,267)	1,765,616
Endowment	481,212	387,892	869,104	-	(2,251)	(2,251)	866,853
Mortgage	-	113,775	113,775	-	(53,511)	(53,511)	60,264
Riders and others	345,835	128,974	474,809	(2,558)	(11,949)	(14,507)	460,302
<b>Total</b>	<b>2,348,651</b>	<b>890,920</b>	<b>3,239,571</b>	<b>(2,558)</b>	<b>(83,978)</b>	<b>(86,536)</b>	<b>3,153,035</b>
<b>31 December 2011</b>							
Whole life	1,195,816	168,124	1,363,940	-	(15,641)	(15,641)	1,348,299
Endowment	408,027	309,738	717,765	-	(1,716)	(1,716)	716,049
Mortgage	-	121,175	121,175	-	(57,135)	(57,135)	64,040
Riders and others	303,450	109,553	413,003	(2,474)	(6,060)	(8,534)	404,469
<b>Total</b>	<b>1,907,293</b>	<b>708,590</b>	<b>2,615,883</b>	<b>(2,474)</b>	<b>(80,552)</b>	<b>(83,026)</b>	<b>2,532,857</b>
<b>1 January 2011</b>							
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
<b>Total</b>	<b>1,523,539</b>	<b>583,918</b>	<b>2,107,457</b>	<b>(2,154)</b>	<b>(78,926)</b>	<b>(81,080)</b>	<b>2,026,377</b>

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia and no investment contract.

**38. INSURANCE RISK (CONTINUED)****38.1 Life insurance contracts (continued)****Key assumptions**

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation 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.

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 and universal life 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**  
Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually; it is compared to actual expense that the subsidiary incurred.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **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)

- Discount rate (continued)  
Malaysian Government Securities ("MGS") spot rate is used in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The assumptions that have significant effects on the gross insurance contract liabilities and reinsurance assets are listed below.

Group	Mortality and morbidity rates <sup>(1)</sup>		Lapse and surrender rates		Discount rate	
	2012	2011	2012	2011	2012	2011
	%	%	%	%	%	%
<b>Type of business</b>						
<b>With fixed and guaranteed terms and with DPF contracts</b>						
Life insurance	70-80	70-80	3-30	3-30	4.50-6.50	4.50-6.50
<b>Without DPF contracts</b>						
Life insurance	70-150	70-150	3-35	3-40	MGS spot yield	MGS spot 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. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Group	Change in assumptions	Impact on profit before tax <sup>#</sup> RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
<b>Life insurance contracts</b>				
<b>31 December 2012</b>				
Mortality and morbidity rates	+5%	(6,353)	13,330	10,511
Discount rate	-0.5%	(28,927)	228,461	223,983
Expenses	+10%	(9,357)	17,413	17,046
Lapse and surrender rates	-10%	(2,671)	31,560	30,891
<b>31 December 2011</b>				
Mortality and morbidity rates	+5%	(7,051)	14,332	11,522
Discount rate	-0.5%	(27,025)	209,338	206,288
Expenses	+10%	(9,502)	18,003	17,748
Lapse and surrender rates	-10%	(2,738)	31,097	30,637

**38. INSURANCE RISK (CONTINUED)****38.1 Life insurance contracts (continued)****Sensitivities (continued)**

The method used and significant assumptions made for deriving sensitivity information did not change from the previous year.

# The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In the sensitivity analysis above, changes in assumptions for life non participating business would impact the profit before tax and insurance contract liabilities. In respect of life participating insurance business, it would impact the insurance contract liabilities.

\* The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

**38.2 General insurance contracts**

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risks represent the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below sets out the concentration of the general insurance risk based on the provision for outstanding claims as at the end of the reporting period by type of contract.

Group	31.12.2012			31.12.2011			1.1.2011		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	218,447	(150,978)	67,469	259,557	(199,759)	59,798	172,082	(117,867)	54,215
Motor	923,585	(124,206)	799,379	773,748	(65,939)	707,809	627,580	(59,056)	568,524
Marine cargo, aviation cargo and transit	165,356	(141,541)	23,815	189,716	(167,025)	22,691	203,234	(181,877)	21,357
Miscellaneous	614,066	(455,842)	158,224	587,778	(453,666)	134,112	593,280	(454,790)	138,490
Total	1,921,454	(872,567)	1,048,887	1,810,799	(886,389)	924,410	1,596,176	(813,590)	782,586

**38. INSURANCE RISK (CONTINUED)****38.2 General insurance contracts (continued)****Key assumptions**

The principal assumption underlying the liability estimates is that the subsidiary's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average 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 ("PRAD") for the provisions for unexpired risks and insurance claims at the minimum 75% of sufficiency, according to the requirement set by BNM 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. It should be noted that movements in these assumptions are non-linear.

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
<b>31 December 2012</b>					
Average claim cost	+10%	169,447	99,864	(99,864)	(74,898)
Average number of claims	+10%	154,693	101,886	(101,886)	(76,415)
Average claim settlement period	Increased by 6 months	36,933	19,775	(19,775)	(14,831)
<b>31 December 2011</b>					
Average claim cost	+10%	177,511	89,844	(89,844)	(67,383)
Average number of claims	+10%	120,217	88,265	(88,265)	(66,199)
Average claim settlement period	Increased by 6 months	22,709	9,457	(9,457)	(7,092)
<b>1 January 2011</b>					
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)

\* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

[illegible]

[illegible]

### 39. FINANCIAL RISKS

Exposure to credit, liquidity, market (currency risk, interest rate/profit yield risk, equity price risk) and operational risk arises in the normal course of the Group's and the Company's business. The Group and the Company are guided by its risk management framework as well as policies and guidelines from the ultimate holding company, Allianz SE which set out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

#### 39.1 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the underwriting of insurance business and the investment in fixed income instruments. Financial loss may materialise when the counterparties failed to meet payment obligations for various reasons.

The Group has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an 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.

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 and the Company consider ratings BBB and above as investment grades and ratings below BBB as non-investment grades. Assets which are not rated by rating agencies are classified as non-rated.

#### Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying financial assets according to the Group's and the Company's credit ratings of counterparties.

Group	Neither past-due nor impaired				Total RM'000
	Investment grade* RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
<b>31 December 2012</b>					
HTM financial investments					
Malaysian government securities	-	570,826	-	-	570,826
Malaysian government guaranteed bonds	-	443,189	-	-	443,189
Ringgit denominated bonds by foreign issuers in Malaysia	109,720	-	-	-	109,720
Multilateral development bank guaranteed bonds	-	-	-	-	-
LAR					
Government guaranteed loans	-	190,000	-	-	190,000
Commercial loans	-	-	-	-	-
Other loans and receivables	-	74,098	-	-	74,098
Fixed and call deposits	-	10,668	2,400	-	13,068

\* Investment grade is defined as investment with rating BBB and above.

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

Group	Neither past-due nor impaired				Total RM'000
	Investment grade* RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
<b>31 December 2012 (continued)</b>					
AFS financial investments					
Malaysian government securities	-	1,227,948	-	-	1,227,948
Malaysian government guaranteed bonds and loans	76,295	361,502	-	-	437,797
Ringgit denominated bonds by foreign issuers in Malaysia	149,511	-	-	-	149,511
Multilateral development bank guaranteed bonds	-	-	-	-	-
Debt securities	853,570	-	-	-	853,570
Negotiable certificates of deposits and structured deposits	63,498	-	-	-	63,498
FVTPL - HFT financial investments					
Malaysian government securities	-	59,550	13,888	-	73,438
Malaysian government guaranteed bonds	-	31,624	5,173	-	36,797
Ringgit denominated bonds by foreign issuers in Malaysia	1,582	-	3,691	-	5,273
Debt securities	76,460	-	67,157	-	143,617
Negotiable certificates of deposits and structured deposits	-	-	30,170	-	30,170
Commercial loans	-	-	-	-	-
Forward starting interest rate swap	8,946	-	-	-	8,946
FVTPL - Designated upon initial recognition					
Malaysian government securities	-	499,113	-	-	499,113
Malaysian government guaranteed bonds	-	124,057	-	-	124,057
Ringgit denominated bonds by foreign issuers in Malaysia	62,998	-	-	-	62,998
Debt securities	893,620	-	-	-	893,620
Negotiable certificates of deposits and structured deposits	123,459	-	-	-	123,459
Reinsurance assets	623,230	127,816	-	-	751,046
Insurance receivables	4,983	130,459	-	9,127	144,569
Other receivables and deposits	-	109,565	6,808	-	116,373
Cash and cash equivalents	408,073	255	49,989	-	458,317
	3,455,945	3,960,670	179,276	9,127	7,605,018

\* Investment grade is defined as investment with rating BBB and above.



**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****Credit exposure by credit rating (continued)**

Company	Neither past-due nor impaired			Past-due but not impaired RM'000	Total RM'000
	Investment grade* RM'000	Non- rated RM'000	Investment-linked funds RM'000		
<b>31 December 2012</b>					
Other receivables and deposits	-	3,652	-	-	3,652
Subordinated loan	-	-	-	-	-
Cash and cash equivalents	17,331	-	-	-	17,331
	17,331	3,652	-	-	20,983

Group	Neither past-due nor impaired			Past-due but not impaired RM'000	Total RM'000
	Investment grade* RM'000	Non- rated RM'000	Investment-linked funds RM'000		
<b>31 December 2011</b>					
HTM financial investments					
Malaysian government securities	-	495,276	-	-	495,276
Malaysian government guaranteed bonds	-	186,838	-	-	186,838
Ringgit denominated bonds by foreign issuers in Malaysia	109,662	-	-	-	109,662
Multilateral development bank guaranteed bonds	-	-	-	-	-
LAR					
Government guaranteed loans	-	190,000	-	-	190,000
Commercial loans	-	-	-	-	-
Other loans and receivables	-	62,501	-	-	62,501
Fixed and call deposits	4,373	10,305	-	-	14,678
AFS financial investments					
Malaysian government securities	-	1,101,936	-	-	1,101,936
Malaysian government guaranteed bonds and loans	50,894	323,904	-	-	374,798
Ringgit denominated bonds by foreign issuers in Malaysia	13,694	-	-	-	13,694
Multilateral development bank guaranteed bonds	135,539	-	-	-	135,539
Debt securities	583,535	-	-	-	583,535
Negotiable certificates of deposits and structured deposits	63,877	-	-	-	63,877

\* Investment grade is defined as investment with rating BBB and above.

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

Group	Neither past-due nor impaired				Total RM'000
	Investment grade*	Non- rated	Investment- linked funds	Past-due but not impaired	
	RM'000	RM'000	RM'000	RM'000	
<b>31 December 2011 (continued)</b>					
FVTPL- HFT financial investments					
Malaysian government securities	-	22,129	10,302	-	32,431
Malaysian government guaranteed bonds	-	10,098	5,099	-	15,197
Ringgit denominated bonds by foreign issuers in Malaysia	1,549	-	3,614	-	5,163
Debt securities	30,197	-	60,143	-	90,340
Negotiable certificates of deposits and structured deposits	-	-	29,230	-	29,230
Commercial loans	-	-	-	-	-
Forward starting interest rate swap	-	-	-	-	-
FVTPL- Designated upon initial recognition					
Malaysian government securities	-	456,537	-	-	456,537
Malaysian government guaranteed bonds	-	88,418	-	-	88,418
Ringgit denominated bonds by foreign issuers in Malaysia	62,604	-	-	-	62,604
Debt securities	851,253	-	-	-	851,253
Negotiable certificates of deposits and structured deposits	144,995	-	-	-	144,995
Reinsurance assets	251,650	530,712	-	-	782,362
Insurance receivables	5,076	105,247	-	6,610	116,933
Other receivables and deposits	-	103,840	6,592	-	110,432
Cash and cash equivalents	474,642	1,305	35,945	-	511,892
	2,783,540	3,689,046	150,925	6,610	6,630,121
Company	Neither past-due nor impaired				Total RM'000
	Investment grade*	Non- rated	Investment- linked funds	Past-due but not impaired	
	RM'000	RM'000	RM'000	RM'000	
<b>31 December 2011</b>					
Other receivables and deposits	-	3,440	-	-	3,440
Subordinated loan	-	29,396	-	-	29,396
Cash and cash equivalents	5,871	-	-	-	5,871
	5,871	32,836	-	-	38,707

\* Investment grade is defined as investment with rating BBB and above.

**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****Credit exposure by credit rating (continued)**

Group	Neither past-due nor impaired			Past-due but not impaired RM'000	Total RM'000
	Investment grade* RM'000	Non- rated RM'000	Investment-linked funds RM'000		
<b>1 January 2011</b>					
HTM financial investments					
Malaysian government securities	-	360,124	-	-	360,124
Malaysian government guaranteed bonds	-	125,391	-	-	125,391
Ringgit denominated bonds by foreign issuers in Malaysia	80,404	27,143	-	-	107,547
Multilateral development bank guaranteed bonds	-	12,053	-	-	12,053
LAR					
Government guaranteed loans	-	190,000	-	-	190,000
Commercial loans	5,524	7,098	-	-	12,622
Other loans and receivables	-	54,156	-	-	54,156
Fixed and call deposits	10,140	10,000	-	-	20,140
AFS financial investments					
Malaysian government securities	-	906,540	-	-	906,540
Malaysian government guaranteed bonds	50,962	129,228	-	-	180,190
Ringgit denominated bonds by foreign issuers in Malaysia	11,610	1,984	-	-	13,594
Multilateral development bank guaranteed bonds	135,367	8,030	-	-	143,397
Debt securities	584,354	-	-	-	584,354
Negotiable certificates of deposits and structured deposits	40,555	-	-	-	40,555
FVTPL - HFT financial investments					
Malaysian government securities	-	4,041	3,594	-	7,635
Malaysian government guaranteed bonds	-	-	-	-	-
Ringgit denominated bonds by foreign issuers in Malaysia	1,506	-	3,512	-	5,018
Debt securities	8,577	-	59,922	-	68,499
Negotiable certificates of deposits and structured deposits	-	-	29,577	-	29,577
Commercial loans	-	-	128	-	128
Forward starting interest rate swap	-	-	-	-	-

\* Investment grade is defined as investment with rating BBB and above.

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

Group	Neither past-due nor impaired				Total RM'000
	Investment grade*	Non- rated	Investment- linked funds	Past-due but not impaired	
	RM'000	RM'000	RM'000	RM'000	
<b>1 January 2011 (continued)</b>					
FVTPL - Designated upon initial recognition					
Malaysian government securities	-	343,105	-	-	343,105
Malaysian government guaranteed bonds	-	61,425	-	-	61,425
Ringgit denominated bonds by foreign issuers in Malaysia	58,963	4,985	-	-	63,948
Debt securities	796,512	-	-	-	796,512
Negotiable certificates of deposits and structured deposits	69,822	-	-	-	69,822
Reinsurance assets	248,986	491,088	-	-	740,074
Insurance receivables	4,948	86,912	-	8,304	100,164
Other receivables and deposits	-	113,323	7,274	-	120,597
Cash and cash equivalents	462,857	1,406	30,492	-	494,755
	2,571,087	2,938,032	134,499	8,304	5,651,922
Company	Neither past-due nor impaired				Total RM'000
	Investment grade*	Non- rated	Investment- linked funds	Past-due but not impaired	
	RM'000	RM'000	RM'000	RM'000	
<b>1 January 2011</b>					
Other receivables and deposits	-	3,960	-	-	3,960
Subordinated loan	-	28,171	-	-	28,171
Cash and cash equivalents	7,631	-	-	-	7,631
	7,631	32,131	-	-	39,762

\* Investment grade is defined as investment with rating BBB and above.

**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****Credit exposure by credit rating (continued)**

The table below provides information regarding the credit risk exposure of the Group and the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2012</b>							
HTM financial investments							
Malaysian government securities	-	-	-	-	570,826	-	570,826
Malaysian government guaranteed bonds and loans	-	-	-	-	443,189	-	443,189
Ringgit denominated bonds by foreign issuers in Malaysia	29,720	70,000	-	10,000	-	-	109,720
Multilateral development bank guaranteed bonds	-	-	-	-	-	-	-
LAR							
Government guaranteed loans	-	-	-	-	190,000	-	190,000
Commercial loans	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	74,098	-	74,098
Fixed and call deposits	-	-	-	-	10,668	2,400	13,068
AFS financial investments							
Malaysian government securities	-	-	-	-	1,227,948	-	1,227,948
Malaysian government guaranteed bonds and loans	76,295	-	-	-	361,502	-	437,797
Ringgit denominated bonds by foreign issuers in Malaysia	137,800	11,711	-	-	-	-	149,511
Multilateral development bank guaranteed bonds	-	-	-	-	-	-	-
Debt securities	251,581	563,073	7,177	31,739	-	-	853,570
Negotiable certificates of deposits and structured deposits	63,498	-	-	-	-	-	63,498
FVTPL - HFT financial investments							
Malaysian government securities	-	-	-	-	59,550	13,888	73,438
Malaysian government guaranteed bonds	-	-	-	-	31,624	5,173	36,797
Ringgit denominated bonds by foreign issuers in Malaysia	-	1,582	-	-	-	3,691	5,273

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2012 (continued)</b>							
FVTPL - HFT financial investments (continued)							
Debt securities	19,455	44,956	-	12,049	-	67,157	143,617
Forward starting interest rate swap	8,946	-	-	-	-	-	8,946
Negotiable certificates of deposits and structured deposits	-	-	-	-	-	30,170	30,170
Commercial loans	-	-	-	-	-	-	-
FVTPL - Designated upon initial recognition							
Malaysian government securities	-	-	-	-	499,113	-	499,113
Malaysian government guaranteed bonds	-	-	-	-	124,057	-	124,057
Ringgit denominated bonds by foreign issuers in Malaysia	3,051	59,947	-	-	-	-	62,998
Debt securities	288,745	410,390	85,014	109,471	-	-	893,620
Negotiable certificates of deposits and structured deposits	123,459	-	-	-	-	-	123,459
Reinsurance assets	-	343,459	276,072	3,699	127,816	-	751,046
Insurance receivables	-	1,992	2,806	185	139,586	-	144,569
Other receivables and deposits	-	-	-	-	109,565	6,808	116,373
Cash and cash equivalents	296,722	23,693	87,658	-	255	49,989	458,317
	1,299,272	1,530,803	458,727	167,143	3,969,797	179,276	7,605,018

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2012</b>							
Other receivables and deposits	-	-	-	-	3,652	-	3,652
Subordinated loan	-	-	-	-	-	-	-
Cash and cash equivalents	17,331	-	-	-	-	-	17,331
	17,331	-	-	-	3,652	-	20,983

**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****Credit exposure by credit rating (continued)**

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2011</b>							
HTM financial investments							
Malaysian government securities	-	-	-	-	495,276	-	495,276
Malaysian government guaranteed bonds	-	-	-	-	186,838	-	186,838
Ringgit denominated bonds by foreign issuers in Malaysia	109,662	-	-	-	-	-	109,662
Multilateral development bank guaranteed bonds	-	-	-	-	-	-	-
LAR							
Government guaranteed loans	-	-	-	-	190,000	-	190,000
Commercial loans	-	-	-	-	-	-	-
Other loans and receivables	-	-	-	-	62,501	-	62,501
Fixed and call deposits	2,575	1,798	-	-	10,305	-	14,678
AFS financial investments							
Malaysian government securities	-	-	-	-	1,101,936	-	1,101,936
Malaysian government guaranteed bonds and loans	50,894	-	-	-	323,904	-	374,798
Ringgit denominated bonds by foreign issuers in Malaysia	13,694	-	-	-	-	-	13,694
Multilateral development bank guaranteed bonds	135,539	-	-	-	-	-	135,539
Debt securities	158,962	414,783	9,790	-	-	-	583,535
Negotiable certificates of deposits and structured deposits	63,877	-	-	-	-	-	63,877
FVTPL - HFT financial investments							
Malaysian government securities	-	-	-	-	22,129	10,302	32,431
Malaysian government guaranteed bonds	-	-	-	-	10,098	5,099	15,197
Ringgit denominated bonds by foreign issuers in Malaysia	1,549	-	-	-	-	3,614	5,163
Debt securities	11,402	18,795	-	-	-	60,143	90,340



### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2011 (continued)</b>							
FVTPL - HFT financial investments (continued)							
Forward starting interest rate swap	-	-	-	-	-	-	-
Negotiable certificates of deposits and structured deposits	-	-	-	-	-	29,230	29,230
Commercial loans	-	-	-	-	-	-	-
FVTPL - Designated upon initial recognition							
Malaysian government securities	-	-	-	-	456,537	-	456,537
Malaysian government guaranteed bonds	-	-	-	-	88,418	-	88,418
Ringgit denominated bonds by foreign issuers in Malaysia	62,604	-	-	-	-	-	62,604
Debt securities	319,741	493,581	37,931	-	-	-	851,253
Negotiable certificates of deposits and structured deposits	144,995	-	-	-	-	-	144,995
Reinsurance assets	67	91,886	157,730	1,967	530,712	-	782,362
Insurance receivables	85	177	4,421	393	111,857	-	116,933
Other receivables and deposits	-	-	-	-	103,840	6,592	110,432
Cash and cash equivalents	254,062	177,406	43,174	-	1,305	35,945	511,892
	<u>1,329,708</u>	<u>1,198,426</u>	<u>253,046</u>	<u>2,360</u>	<u>3,695,656</u>	<u>150,925</u>	<u>6,630,121</u>
Company	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2011</b>							
Other receivables and deposits	-	-	-	-	3,440	-	3,440
Subordinated loan	-	-	-	-	29,396	-	29,396
Cash and cash equivalents	5,871	-	-	-	-	-	5,871
	<u>5,871</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>32,836</u>	<u>-</u>	<u>38,707</u>

**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****Credit exposure by credit rating (continued)**

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>1 January 2011</b>							
HTM financial investments							
Malaysian government securities	-	-	-	-	360,124	-	360,124
Malaysian government guaranteed bonds	-	-	-	-	125,391	-	125,391
Ringgit denominated bonds by foreign issuers in Malaysia	80,404	-	-	-	27,143	-	107,547
Multilateral development bank guaranteed bonds	-	-	-	-	12,053	-	12,053
LAR							
Government guaranteed loans	-	-	-	-	190,000	-	190,000
Commercial loans	551	2,763	2,210	-	7,098	-	12,622
Other loans and receivables	-	-	-	-	54,156	-	54,156
Fixed and call deposits	2,500	1,951	5,689	-	10,000	-	20,140
AFS financial investments							
Malaysian government securities	-	-	-	-	906,540	-	906,540
Malaysian government guaranteed bonds	50,962	-	-	-	129,228	-	180,190
Ringgit denominated bonds by foreign issuers in Malaysia	11,610	-	-	-	1,984	-	13,594
Multilateral development bank guaranteed bonds	135,367	-	-	-	8,030	-	143,397
Debt securities	150,996	403,367	29,991	-	-	-	584,354
Negotiable certificates of deposits and structured deposits	40,555	-	-	-	-	-	40,555
FVTPL - HFT financial investments							
Malaysian government securities	-	-	-	-	4,041	3,594	7,635
Malaysian government guaranteed bonds	-	-	-	-	-	-	-
Ringgit denominated bonds by foreign issuers in Malaysia	1,506	-	-	-	-	3,512	5,018

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>1 January 2011 (continued)</b>							
FVTPL - HFT financial investments (continued)							
Debt securities	1,000	7,577	-	-	-	59,922	68,499
Forward starting interest rate swap	-	-	-	-	-	-	-
Negotiable certificates of deposits and structured deposits	-	-	-	-	-	29,577	29,577
Commercial loans	-	-	-	-	-	128	128
FVTPL - Designated upon initial recognition							
Malaysian government securities	-	-	-	-	343,105	-	343,105
Malaysian government guaranteed bonds	-	-	-	-	61,425	-	61,425
Ringgit denominated bonds by foreign issuers in Malaysia	58,963	-	-	-	4,985	-	63,948
Debt securities	288,992	435,658	66,982	4,880	-	-	796,512
Negotiable certificates of deposits and structured deposits	69,822	-	-	-	-	-	69,822
Reinsurance assets	767	115,400	131,339	1,480	491,088	-	740,074
Insurance receivables	48	589	4,139	172	95,216	-	100,164
Other receivables and deposits	-	-	-	-	113,323	7,274	120,597
Cash and cash equivalents	231,727	150,067	81,063	-	1,406	30,492	494,755
	1,125,770	1,117,372	321,413	6,532	2,946,336	134,499	5,651,922
	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>1 January 2011</b>							
Other receivables and deposits	-	-	-	-	3,960	-	3,960
Subordinated loan	-	-	-	-	28,171	-	28,171
Cash and cash equivalents	7,631	-	-	-	-	-	7,631
	7,631	-	-	-	32,131	-	39,762

**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****Credit exposure by credit rating (continued)**

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and the Company's categorisation of counterparties by credit rating.

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2012</b>							
Investment grade	1,299,272	1,530,803	458,727	167,143	-	125,249	3,581,194
Non-rated	-	-	-	-	3,960,670	54,027	4,014,697
Past-due but not impaired	-	-	-	-	9,127	-	9,127
	1,299,272	1,530,803	458,727	167,143	3,969,797	179,276	7,605,018

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2011</b>							
Investment grade	1,329,708	1,198,426	253,046	2,360	-	128,932	2,912,472
Non-rated	-	-	-	-	3,689,046	21,993	3,711,039
Past-due but not impaired	-	-	-	-	6,610	-	6,610
	1,329,708	1,198,426	253,046	2,360	3,695,656	150,925	6,630,121

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>1 January 2011</b>							
Investment grade	1,125,770	1,117,372	321,413	6,532	-	123,503	2,694,590
Non-rated	-	-	-	-	2,938,032	10,996	2,949,028
Past-due but not impaired	-	-	-	-	8,304	-	8,304
	1,125,770	1,117,372	321,413	6,532	2,946,336	134,499	5,651,922

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2012</b>							
Investment grade	17,331	-	-	-	-	-	17,331
Non-rated	-	-	-	-	3,652	-	3,652
	17,331	-	-	-	3,652	-	20,983

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.1 Credit risk (continued)

##### Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and the Company's categorisation of counterparties by credit rating.

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2011</b>							
Investment grade	5,871	-	-	-	-	-	5,871
Non-rated	-	-	-	-	32,836	-	32,836
	5,871	-	-	-	32,836	-	38,707

	AAA	AA	A	BBB	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>1 January 2011</b>							
Investment grade	7,631	-	-	-	-	-	7,631
Non-rated	-	-	-	-	32,131	-	32,131
	7,631	-	-	-	32,131	-	39,762

The Group has not provided the credit risk analysis for the financial assets of the investment-linked business. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

#### (i) Past due but not impaired financial assets

##### Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past due but not impaired as at the reporting date is as follows:

	<30 days	31 to 60 days	61 to 90 days	> 91 days	Investment-linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2012</b>						
Insurance receivables	7,779	546	296	506	-	9,127
<b>31 December 2011</b>						
Insurance receivables	4,852	672	277	809	-	6,610
<b>1 January 2011</b>						
Insurance receivables	7,340	844	-	120	-	8,304

**39. FINANCIAL RISKS (CONTINUED)****39.1 Credit risk (continued)****(ii) Past due and impaired financial assets**

As at 31 December 2012, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM20,531,000 (31.12.2011: RM22,205,000; 1.1.2011: RM33,442,000) and other receivables of RM4,043,000 (31.12.2011: RM3,579,000; 1.1.2011: RM3,605,000) respectively. No collateral is held as security for any past due or impaired assets. A reconciliation of the allowance for impairment losses for insurance receivables and other receivables are as follows:

Group	Insurance receivables		Other receivables	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
<b>At 1 January</b>	22,205	33,442	3,579	3,605
Impairment loss (reversed)/recognised	(1,674)	(11,237)	464	124
Reversal of impairment loss	-	-	-	(150)
<b>At 31 December</b>	20,531	22,205	4,043	3,579

**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 include ensuring that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

**Maturity profiles**

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable.

For provision for claims, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Investment-linked funds' liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

Maturity profile of the Company's financial liabilities is not presented given that all financial liabilities are repayable within one year.

### 39. FINANCIAL RISKS (CONTINUED)

#### 39.2 Liquidity risk (continued)

##### Maturity profiles (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
<b>31 December 2012</b>								
Insurance contract liabilities								
with DPF	2,590,521	377,953	(157,158)	185,655	1,990,538	6,231,900	-	8,628,888
without DPF	1,290,132	732,506	66,805	65,592	328,094	361,754	-	1,554,751
Provision for claims	1,420,276	700,140	480,777	148,188	91,171	-	-	1,420,276
Other financial liabilities	3,853	2,714	1,139	-	-	-	-	3,853
Insurance payables	328,933	308,466	18,973	1,494	-	-	-	328,933
Other payables	165,669	165,648	21	-	-	-	-	165,669
Benefits and claims liabilities	84,813	84,813	-	-	-	-	-	84,813
<b>Total liabilities</b>	<b>5,884,197</b>	<b>2,372,240</b>	<b>410,557</b>	<b>400,929</b>	<b>2,409,803</b>	<b>6,593,654</b>	<b>-</b>	<b>12,187,183</b>
<b>31 December 2011</b>								
Insurance contract liabilities								
with DPF	2,141,185	302,507	(257,734)	(9,716)	1,922,282	5,640,845	-	7,598,184
without DPF	1,023,557	517,471	83,408	35,906	344,961	371,134	-	1,352,880
Provision for claims	1,357,126	638,320	430,584	159,909	128,313	-	-	1,357,126
Other financial liabilities	4,252	2,789	1,463	-	-	-	-	4,252
Insurance payables	283,182	269,831	12,245	1,106	-	-	-	283,182
Other payables	141,643	141,579	64	-	-	-	-	141,643
Benefits and claims liabilities	68,573	68,573	-	-	-	-	-	68,573
<b>Total liabilities</b>	<b>5,019,518</b>	<b>1,941,070</b>	<b>270,030</b>	<b>187,205</b>	<b>2,395,556</b>	<b>6,011,979</b>	<b>-</b>	<b>10,805,840</b>
<b>1 January 2011</b>								
Insurance contract liabilities								
with DPF	1,715,387	(31,340)	(452,448)	(16,457)	1,921,606	5,369,122	-	6,790,483
without DPF	858,794	268,198	76,444	28,358	331,541	588,750	-	1,293,291
Provision for claims	1,227,631	599,885	399,326	121,075	107,345	-	-	1,227,631
Other financial liabilities	3,595	2,013	1,582	-	-	-	-	3,595
Insurance payables	291,740	275,151	15,533	1,056	-	-	-	291,740
Other payables	135,399	135,295	104	-	-	-	-	135,399
Benefits and claims liabilities	59,545	59,545	-	-	-	-	-	59,545
<b>Total liabilities</b>	<b>4,292,091</b>	<b>1,308,747</b>	<b>40,541</b>	<b>134,032</b>	<b>2,360,492</b>	<b>5,957,872</b>	<b>-</b>	<b>9,801,684</b>



**39. FINANCIAL RISKS (CONTINUED)****39.3 Market risk**

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to participations. This includes changes in market prices due to worsening of market liquidity. Market risk comprises of currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee is actively monitoring the investment activities undertaken by the Group.
- An Asset-Liability Working Group would recommend the initiatives after balancing competing and legitimate objective of various stakeholders.
- 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.
- Stress tests are performed as and when needed.
- Stop loss policy is in place.

The Group also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from asset management charges is based on the value of the assets in the funds.

**39.3.1 Currency risk**

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia ("RM") and its exposure to foreign risk arises principally with respect to US Dollar (USD) and Australian Dollar (AUD). 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.

All currency risk in investment-linked funds is borne by policyholders.

**Exposure to foreign currency risk**

The Group's exposure to foreign currency risk, based on carrying amounts as at end of the reporting period was:

	Financial assets RM'000	Investment- linked funds RM'000
<b>Group</b>		
<b>31 December 2012</b>		
<b>Denominated in</b>		
USD	35,277	13,827
AUD	-	28,158

**39. FINANCIAL RISKS (CONTINUED)****39.3 Market risk (continued)****39.3.1 Currency risk (continued)****Exposure to foreign currency risk (continued)**

	Financial assets RM'000	Investment- linked funds RM'000
<b>Group</b>		
<b>31 December 2011</b>		
<b>Denominated in</b>		
USD	8,270	14,964
AUD	-	27,197

**Currency risk sensitivity analysis**

A 10% (2011:10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have increased/(decreased) the insurance contract liabilities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

	Impact on insurance contract liabilities 2012 RM'000	Impact on insurance contract liabilities 2011 RM'000
<b>Denominated in</b>		
USD	(4,910)	(2,323)
AUD	(2,816)	(2,720)

A 10% (2011:10%) weakening of the Ringgit Malaysia (RM) against the above currencies at the end of the reporting period would have equal but opposite effect on the above currencies to the amount shown above, on the basis that all variables remained constant.

The method used for deriving sensitivity information and significant variables did not change from previous year.

Only life participating fund and investment-linked funds invested in foreign financial instruments.

**39.3.2 Interest rate risk**

The Group is affected by changes in market interest rates 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.

**39. FINANCIAL RISKS (CONTINUED)****39.3 Market risk (continued)****39.3.2 Interest rate risk (continued)****Interest rate risk sensitivity analysis**

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the profit before tax, equity and insurance contract liabilities.

**Life insurance contracts:**

Group	Change in variables	Impact on profit before tax <sup>#</sup> RM'000	Impact on equity <sup>*</sup> RM'000	Impact on insurance contract liabilities <sup>**</sup> RM'000
<b>31 December 2012</b>				
Interest rate	+100 basis points	(41,073)	(29,078)	(33,495)
Interest rate	+200 basis points	(103,608)	(72,945)	(85,543)
<b>31 December 2011</b>				
Interest rate	+100 basis points	(51,098)	(35,815)	(45,058)
Interest rate	+200 basis points	(98,010)	(68,706)	(86,983)

The method used for deriving sensitivity information and significant variables did not change from the previous year.

# The above illustration is only prepared for adverse scenario, where interest rate is being raised. The impact on profit before tax would be dependent on whether the interests risk resides in shareholders' fund, life non participating insurance fund or investment-linked funds. Where the interests risk resides in shareholders' fund and life non participating fund, the impact will be directly to profit before tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in interest rate risk would affect the insurance contract liabilities.

\* Impact on equity reflects adjustments for tax, where applicable.

\*\* The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The above sensitivity test would yield proxy results if interest rates were to move in the opposite direction, with the Group.

## 39. FINANCIAL RISKS (CONTINUED)

### 39.3 Market risk (continued)

#### 39.3.2 Interest rate risk (continued)

##### General insurance contracts:

Group	Change in variables	Impact on profit before tax RM'000	Impact on Equity* RM'000
<b>31 December 2012</b>			
Interest rate	+ 100 basis points	-	(55,189)
Interest rate	+ 50 basis points	-	(27,594)
<b>31 December 2011</b>			
Interest rate	+ 100 basis points	-	(48,594)
Interest rate	+ 50 basis points	-	(24,297)

\* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

#### 39.3.3 Equity price risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity price risk exposures relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments securities not held for the account of the investment-linked business.

The Group's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Group complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

##### Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit before tax, equity and insurance contract liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

**39. FINANCIAL RISKS (CONTINUED)****39.3 Market risk (continued)****39.3.3 Equity price risk (continued)**

Group	Changes in variables	31.12.2012			31.12.2011		
		Impact on profit before tax <sup>#</sup> RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit before tax <sup>#</sup> RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
<b>Market indices</b>							
Market value	-10%	-	-	(57,753)	-	-	(42,103)
Market value	-20%	-	-	(112,110)	-	-	(84,206)

# The above illustration is only prepared for adverse scenario, where market price is being moved in an unfavourable direction. The impact on profit before tax would be dependent on whether the market price risk resides in shareholders' fund, life non participating insurance fund, life participating insurance fund or investment-linked funds. Where the market price risk resides in shareholders' fund and life non participating fund, the impact will be directly to profit before tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in market price risk would affect the insurance contract liabilities.

\* Impact on equity reflects adjustments for tax, where applicable.

\*\* The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The above sensitivity test would yield proxy results if market price were to move in the opposite direction, with the Group.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

Only life participating fund and investment-linked funds invested in equity securities.

**39.4 Operational risk**

Operational risk is an event or action that may potentially impact partly or completely the achievement of the Group's objectives resulting from inadequate or failed internal processes and systems, human factors or external events.

The Group puts in place the following controls to monitor and mitigate such risk:

- Effective segregation of duties;
- Access controls, authorisation and reconciliation procedures;
- Automation of processes where possible;
- Staff training; and
- Evaluation procedures such as internal audit.

## 39. FINANCIAL RISKS (CONTINUED)

### 39.5 Fair value of financial instruments

The Group's and the Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits, negotiable certificates of deposits and forward starting interest rate swap are based on the indicative market prices from the issuing banks.
- The fair values of quoted equity securities of corporations in and outside Malaysia, 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.
- The unquoted equity securities in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified.
- The fair values of Malaysian government securities, Malaysian government guaranteed bonds and loans, Multilateral development bank guaranteed bonds, Ringgit denominated bonds by foreign issuers in Malaysia and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions.
- The fair values of unquoted unit trusts in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers.
- The carrying amounts of government guaranteed loans, commercial loans, policy loans, automatic premium loans and fixed and call deposits are assumed to approximate their fair values.
- The fair values of mortgage loans and other secured loans are derived by discounting future cash flows, using interest rates for similar instruments, taking into consideration the nature and contracted terms of these loans. Based on management's assessment as at 31 December 2012, the estimated fair values of the loans approximate their carrying amounts.
- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits, subordinated loan, other financial liabilities, insurance payables, other payables and accruals approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds and loans, Multilateral development bank guaranteed bonds, Ringgit denominated bonds by foreign issuers in Malaysia, and unquoted bonds of corporations are based on the indicative market yields obtained from three financial institutions which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Group's investment in unquoted equity securities due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

#### 39.5.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

**39. FINANCIAL RISKS (CONTINUED)****39.5 Fair value of financial instruments****39.5.1 Fair value hierarchy (continued)**

<b>Group</b>	<b>Level 1</b> <b>RM'000</b>	<b>Level 2</b> <b>RM'000</b>	<b>Level 3</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
<b>31.12.2012</b>				
<b>Financial assets</b>				
Malaysian government securities	-	1,800,499	-	1,800,499
Malaysian government guaranteed bonds and loans	-	598,651	-	598,651
Ringgit denominated bonds by foreign issuers in Malaysia	-	217,782	-	217,782
Multilateral development bank guaranteed bonds	-	-	-	-
Unquoted bonds of corporations in Malaysia	-	1,890,807	-	1,890,807
Quoted bonds of corporations in Malaysia	-	-	-	-
Quoted equity securities of corporations in Malaysia	554,300	-	-	554,300
Quoted equity securities of corporations outside Malaysia	-	-	-	-
Quoted unit trusts in Malaysia	84,025	-	-	84,025
Unquoted unit trusts in Malaysia	-	1,928	-	1,928
Unquoted unit trusts outside Malaysia	-	49,104	-	49,104
Commercial loans	-	-	-	-
Forward starting interest rate swap	-	8,946	-	8,946
Structured deposits and negotiable certificates of deposits with licensed financial institutions	-	217,127	-	217,127
	638,325	4,784,844	-	5,423,169
<b>31.12.2011</b>				
<b>Financial assets</b>				
Malaysian government securities	-	1,590,904	-	1,590,904
Malaysian government guaranteed bonds and loans	-	478,413	-	478,413
Ringgit denominated bonds by foreign issuers in Malaysia	-	81,461	-	81,461
Multilateral development bank guaranteed bonds	-	135,539	-	135,539
Unquoted bonds of corporations in Malaysia	-	1,525,128	-	1,525,128
Quoted bonds of corporations in Malaysia	-	-	-	-
Quoted equity securities of corporations in Malaysia	380,408	-	-	380,408
Quoted equity securities of corporations outside Malaysia	-	-	-	-
Quoted unit trusts in Malaysia	77,230	-	-	77,230
Unquoted unit trusts in Malaysia	-	375	-	375
Unquoted unit trusts outside Malaysia	-	23,234	-	23,234
Commercial loans	-	-	-	-
Forward starting interest rate swap	-	-	-	-
Structured deposits and negotiable certificates of deposits with licensed financial institutions	-	238,102	-	238,102
	457,638	4,073,156	-	4,530,794



### 39. FINANCIAL RISKS (CONTINUED)

#### 39.5 Fair value of financial instruments

##### 39.5.1 Fair value hierarchy (continued)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>1.1.2011</b>				
<b>Financial assets</b>				
Malaysian government securities	-	1,257,280	-	1,257,280
Malaysian government guaranteed bonds and loans	-	241,615	-	241,615
Ringgit denominated bonds by foreign issuers in Malaysia	-	82,560	-	82,560
Multilateral development bank guaranteed bonds	-	143,397	-	143,397
Unquoted bonds of corporations in Malaysia	-	1,440,164	-	1,440,164
Quoted bonds of corporations in Malaysia	9,201	-	-	9,201
Quoted equity securities of corporations in Malaysia	340,476	-	-	340,476
Quoted equity securities of corporations outside Malaysia	15,911	-	-	15,911
Quoted unit trusts in Malaysia	48,088	-	-	48,088
Unquoted unit trusts in Malaysia	-	384	-	384
Unquoted unit trusts outside Malaysia	-	30,002	-	30,002
Commercial loans	-	128	-	128
Forward starting interest rate swap	-	-	-	-
Structured deposits and negotiable certificates of deposits with licensed financial institutions	-	139,954	-	139,954
	413,676	3,335,484	-	3,749,160

### 40. CAPITAL MANAGEMENT

#### Regulatory capital requirements

The Risk Based Capital Framework ("RBC") came into effect on 1 January 2009. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level 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.

**41. SIGNIFICANT EVENTS**

- i. The Company has on 27 December 2012 entered into an advance agreement ("Advance Agreement") with its holding company, Allianz SE, for a 5-year term loan facility of up to the principal amount of EURO Equivalent of RM54.3 million to be made available by Allianz SE to AMB ("Advance"), upon the terms and conditions as stipulated in the Advance Agreement.

The Advance will be utilised by the Company for general working capital purposes and to finance the business expansion of its life operating subsidiary.

- ii. ALIM had on 31 December 2012 entered into a 10-years conventional Exclusive Distribution Agreement ("Distribution Agreement") with HSBC Bank Malaysia Berhad ("HSBC Malaysia").

The Distribution Agreement provides ALIM with an exclusive right to use HSBC Malaysia's distribution network to sell, market and promote conventional life insurance products developed by ALIM.

Under the Distribution Agreement, an upfront fee of RM 50.5 million will be paid by ALIM to HSBC Malaysia for the exclusivity upon the commencement date of the partnership in January 2013.

**42. SUBSEQUENT EVENTS**

Subsequent to the end of the financial year under review, the Company has entered into an agreement with its life subsidiary, ALIM to make available to ALIM subordinated loan of up to the aggregate principal amount of RM73.0 million upon the terms and conditions as stipulated in the facility agreement dated 7 January 2013.

**43. EXPLANATION OF TRANSITION TO MFRSs**

As stated in Note 1.1, these are the first financial statements of the Group and of the Company prepared in accordance with MFRSs.

The accounting policies set out in Note 2 have been applied in preparing the financial statements of the Group and of the Company for the financial year ended 31 December 2012, the comparative information presented in these financial statements for the financial year ended 31 December 2011 and in the preparation of the opening MFRS statements of financial position at 1 January 2011 (the Group's date of transition to MFRSs).

The transition to MFRSs does not have any significant financial impact to the separate financial statements of the Company.

In preparing the opening consolidated statement of financial position at 1 January 2011, the Group has adjusted amounts reported previously in financial statements prepared in accordance with previous FRSS as modified by Guidelines/Circulars issued by BNM ("Modified FRSS"). An explanation of how the transition from previous Modified FRSS to MFRSs has affected the Group's financial position, financial performance and cash flows is set out as follows:

**Bank Negara Malaysia ("BNM") Guideline - BNM/RH/GL 003-28, Financial Reporting for Insurers**

In line with the convergence of Financial Reporting Standards ("FRSs") to Malaysian Financial Reporting Standards ("MFRSs") in 2012, BNM has issued a revised Financial Reporting Guidelines for Insurers (BNM/RH/GL 003-28) ("revised Guidelines") on 21 February 2012 for insurers to comply with the adoption of financial reporting standards approved by the Malaysian Accounting Standards Board ("MASB").

The Revised Guidelines require actuarial liabilities, unallocated surplus and fair value/valuation reserves of life insurance contract liabilities with discretionary participating features to be presented as liabilities in the insurers' statement of financial position.

**43. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)**

Arising from the Revised Guidelines, non participating surplus of the life insurance business is recognised as income in the Statement of profit or loss and retained earnings in the Statement of changes in equity. However, such surplus is retained within the life insurance fund and not transferred to the Shareholders' Fund.

Upon transition to MFRSs, the Group elected to designate certain financial investments as fair value through profit or loss. Previous gains or losses on financial investments that have been recognised in other comprehensive income were reclassified from equity to retained earnings.

**43.1 Consolidated statements of financial position**

	Modified FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
<b>31.12.2011</b>			
<b>Group</b>			
<b>Assets</b>			
Current tax assets	3,138	107	3,245
<b>Equity</b>			
Reserves	1,046,711	245,095	1,291,806
<b>Liabilities</b>			
Insurance contract liabilities	5,954,729	(326,489)	5,628,240
Deferred tax liabilities	13,224	81,501	94,725
	Modified FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
<b>1.1.2011</b>			
<b>Group</b>			
<b>Assets</b>			
Current tax assets	1,890	-	1,890
<b>Equity</b>			
Reserves	913,395	212,911	1,126,306
<b>Liabilities</b>			
Insurance contract liabilities	5,019,281	(283,786)	4,735,495
Deferred tax liabilities	10,427	70,875	81,302

**43.2 Consolidated statement of profit or loss for the year ended 31 December 2011**

<b>Group</b>	RM'000
Profit after tax as previously reported under Modified FRSs	131,927
Effect of transition to MFRSs	31,709
Profit after tax reported under MFRSs	163,636

**43. EXPLANATION OF TRANSITION TO MFRSs (CONTINUED)****43.3 Consolidated statements of changes in equity**

	Modified FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
<b>31.12.2011</b>			
<b>Group</b>			
<b>Non-distributable</b>			
Revaluation reserve	9,735	794	10,529
Fair value reserve	20,559	97	20,656
Life non participating fund surplus	-	244,204	244,204
	Modified FRSs RM'000	Effect of transition to MFRSs RM'000	MFRSs RM'000
<b>1.1.2011</b>			
<b>Group</b>			
<b>Non-distributable</b>			
Revaluation reserve	5,355	300	5,655
Fair value reserve	11,436	116	11,552
Life non participating fund surplus	-	212,495	212,495

**43.4 Material adjustments to the statements of cash flows for 2011**

There is no material differences between the statements of cash flow presented under MFRSs and the statements of cash flows presented under Modified FRSs.

#### 44. SUPPLEMENTARY INFORMATION ON THE BREAKDOWN OF REALISED AND UNREALISED PROFITS OR LOSSES

The breakdown of the retained earnings of the Group and of the Company as at 31 December, into realised and unrealised profits, pursuant to Paragraph 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements, are as follow:

	Group		Company	
	2012	2011	2012	2011
	RM'000	RM'000	RM'000	RM'000
Total retained earnings of Allianz Malaysia Berhad and its subsidiaries:				
- Realised	1,104,017	908,409	200,587	218,532
- Unrealised	(78,729)	(72,611)	11	19
Total retained earnings	1,025,288	835,798	200,598	218,551

The determination of realised and unrealised profits is based on the Guidance of Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

# Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 137 to 244 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards 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 at 31 December 2012 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 44 on page 245 to the financial statements has been compiled 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.

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

.....  
**Tan Sri Razali Bin Ismail**

.....  
**Jens Reisch**

Kuala Lumpur,

Date: 27 March 2013

# 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 137 to 245 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 27 March 2013.

.....  
**Ong Eng Chow**

Before me:

**Lee Chin Hin**  
W493  
Commissioner of Oaths  
Kuala Lumpur



# 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 2012 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 137 to 244.

### Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine 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 the 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2012 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

## 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 44 on page 245 to the financial statements has been compiled by the Company as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not required by Malaysian Financial Reporting Standards or International Financial Reporting Standards. 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

### Loh Kam Hian

Approval Number: 2941/09/14(J)  
Chartered Accountant

Petaling Jaya

Date: 27 March 2013



# Form of Proxy

ALLIANZ MALAYSIA BERHAD (12428-W)

(Incorporated in Malaysia)

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, speak and vote for me/us on my/our behalf at the 39th Annual General Meeting of the Company ("39th AGM") to be held at Junior Ballroom, Level 2, Hotel InterContinental Kuala Lumpur, 165 Jalan Ampang, 50450 Kuala Lumpur on Friday, 21 June 2013 at 10.00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	Receipt of Audited Financial Statements for the financial year ended 31 December 2012 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 Mr. Jens Reisch as Director		
5	Re-election of Encik Zakri Bin Mohd Khir as Director		
6	Re-election of Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim as Director		
7	Re-appointment of Y. Bhg. Tan Sri Razali Bin Ismail as Director		
8	Re-appointment of Messrs KPMG as Auditors and authority to the Directors to fix the Auditors' remuneration		
9	Proposed Renewal of Shareholders' Mandate		
<b>SPECIAL RESOLUTION</b>			
Proposed Amendments to the Articles of Association of the Company			

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 \_\_\_\_\_ 2013.

Contact No.	
-------------	--

\_\_\_\_\_  
Signature of shareholder/common seal

## Notes

- In respect of deposited securities, only members whose names appear in the Record of Depositors on 13 June 2013 shall be entitled to attend, speak and vote at the 39th AGM.
- A member entitled to attend, speak and vote at the 39th AGM is entitled to appoint not more than two (2) proxies to attend, speak 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.
- 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.
- Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds.
- The 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.
- 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 39th AGM.

## Note to Holders of Irredeemable Convertible Preference Share ("ICPS")

The holders of the ICPS shall be entitled to attend the 39th AGM but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 113 of the Annual Report 2012.

**Allianz Malaysia Berhad (12428-W)**

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

**Attention : The Company Secretary**

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  
Malaysia

Tel : 03-2264 1188/2264 0688

Fax : 03-2264 1199

Toll-free : 1300-88-1028

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