

With You
When it
Matters Most



Allianz Malaysia Berhad (12428-W)
Annual Report 2014

Allianz 

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COVER RATIONALE

The Allianz Group provides over 85 million people in 70 countries around the world the confidence they need in life's important moments. With 35 branches in major cities nationwide, Allianz Malaysia aims to distinguish itself as the most trusted provider of financial services to suit the lifetime needs of Malaysians and at the same time, play a role as a responsible corporate citizen. Allianz, with you when it matters most.

FEEDBACK

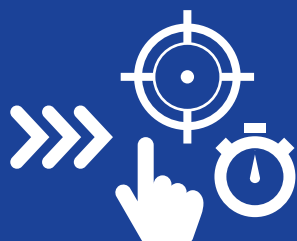
We welcome your feedback to make sure we care for the things that matter to you.

Log on to www.allianz.com.my or send us the feedback through customer.service@allianz.com.my



This Annual Report is printed on 100%
recycled paper.

We achieved this by,
**constantly
ensuring that all
targets and tasks
were done with
speed, accuracy
and consistency.**



2014 KEY FIGURES

OPERATING REVENUE

RM4,376.18 million

GROSS WRITTEN PREMIUM

RM3,968.06 million

PROFIT BEFORE TAX

423.53 million

TOTAL ASSETS

RM12,166.73 million

SHAREHOLDERS' FUND

RM2,289.78 million

MARKET CAPITALISATION

RM4,057.33 million

BASIC EARNINGS PER ORDINARY SHARE

178.49 sen

DIVIDEND PER ORDINARY SHARE

5.00 sen

Employees

Our people matter to us.
We invest in developing
their future with us.



Scan here to watch a video
on Allianz by its employees.

THE EMPLOYEE ENGAGEMENT INDEX
IS A KEY MEASURE OF EMPLOYEE
SATISFACTION, LOYALTY, ADVOCACY
AND PRIDE

1,842



EMPLOYEES ACROSS
MALAYSIA IN 2014

93%

EMPLOYEES ARE
PROUD TO WORK
FOR ALLIANZ

89%

EMPLOYEES FEEL
THEY ARE PART
OF A TEAM

94%

EMPLOYEES ARE SATISFIED
WITH THE ACTIONS OF THE
COMPANY IN SOCIAL AND
ENVIRONMENT RESPONSIBILITY



93%

EMPLOYEES AGREE THAT
THE COMPANY SHOWS
COMMITMENT TO ETHICAL
BUSINESS DECISIONS AND
CONDUCT



RM3.85 MILLION
INVESTED IN TRAINING AND DEVELOPMENT



96%

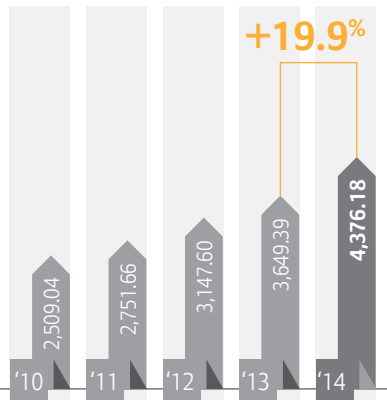
OUR EMPLOYEES
ATTENDED AT LEAST
ONE TRAINING SESSION
IN 2014



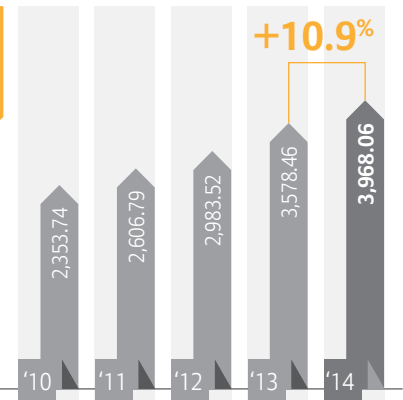
ALLIANZ AT A GLANCE

Operating Revenue

RM million
4,376.18

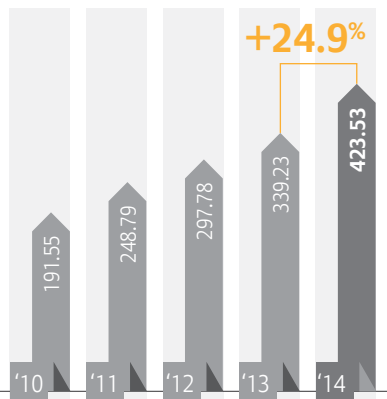


Gross Written Premium
RM million
3,968.06



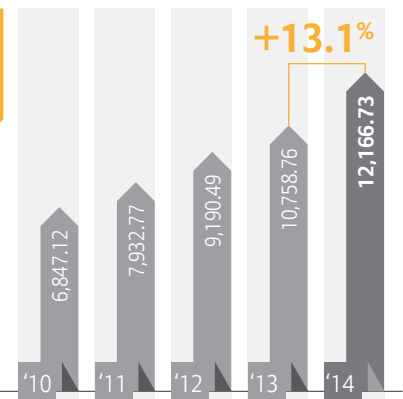
Profit Before Tax

RM million
423.53



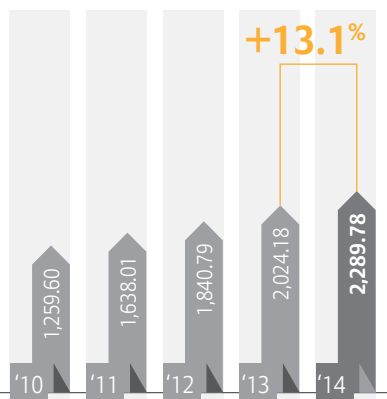
Total Assets

RM million
12,166.73

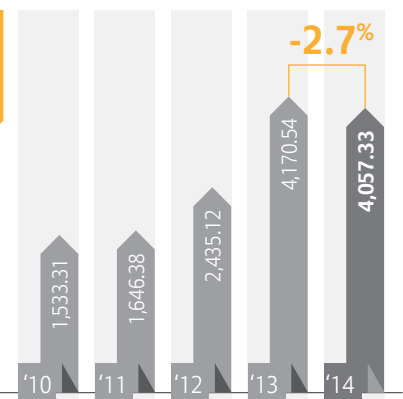


Shareholders' Fund

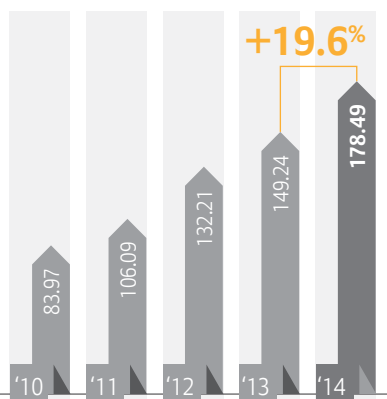
RM million
2,289.78



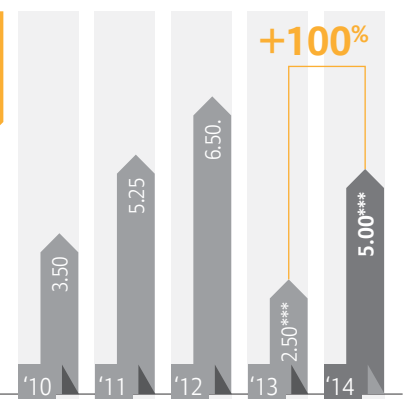
Market Capitalisation
RM million
4,057.33



Basic Earnings per Ordinary Share
Sen
178.49



Dividend per Ordinary Share
Sen
5.00***



ALLIANZ AT A GLANCE

Group		2014	2013	2012	2011**	2010
Operating Revenue	(RM million)	4,376.18	3,649.39	3,147.60	2,751.66	2,509.04
Gross Written Premium	(RM million)	3,968.06	3,578.46	2,983.52	2,606.79	2,353.74
Profit Before Tax	(RM million)	423.53	339.23	297.78	248.79	191.55
Total Assets	(RM million)	12,166.73	10,758.76	9,190.49	7,932.77	6,847.12
Shareholders' Fund	(RM million)	2,289.78	2,024.18	1,840.79	1,638.01	1,259.60
Market Capitalisation [#]	(RM million)	4,057.33	4,170.54	2,435.12	1,646.38	1,533.31
Interim/Final gross dividend paid per share						
- Ordinary Share	(sen)	5.00***	2.50***	6.50	5.25	3.50
- Preference Share*	(sen)	6.00	3.00	7.80	6.30	4.20
Total amount dividend paid						
- Ordinary Share	(RM'000)	8,374.41	4,169.20	7,773.72	6,161.24	4,039.07
- Preference Share*	(RM'000)	10,723.05	5,383.13	14,566.10	11,952.98	8,078.13
Return on Equity [^]		13.7%	12.3%	11.9%	11.3%	14.6%
Return on Equity [^]		13.7%	12.3%	11.9%	11.3%	11.5%
(Include subordinated loan of RM 490 million from Allianz SE)						
Operating Revenue Growth		19.9%	15.9%	14.4%	9.7%	12.9%
Gross Written Premium Growth		10.9%	19.9%	14.5%	10.8%	13.6%
Basic Earnings per Ordinary Share	(sen)	178.49	149.24	132.21	106.09	83.97
Diluted Earnings per Ordinary Share	(sen)	71.58	58.94	54.41	43.74	50.33
Net Asset Value per Ordinary Share	(RM)	13.67	12.59	11.60	10.47	8.19
Diluted Net Asset Value per Ordinary Share	(RM)	6.61	5.85	5.32	4.73	3.64

[^] 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 Share ("ICPS") was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 August 2010.

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

[#] The market capitalisation is a combination of ordinary and preference shares.

*** Single tier dividend.

The 1 Thing That Matters: A Trusted and Responsible Insurer

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 sustainable growth for our shareholders, customers, business partners, employees and society.



CUSTOMER FOCUS

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

INTEGRITY

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

HIGH PERFORMANCE CULTURE

We encourage, recognise and reward exceptional performance

OPEN COMMUNICATION

We practise and promote clear, open and transparent communication

CORPORATE RESPONSIBILITY

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



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 41st Annual General Meeting of Allianz Malaysia Berhad ("41st AGM") will be held at Ballroom A, Level 6, Hilton Kuala Lumpur, 3 Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 9 June 2015 at 10.00 a.m. for the following purposes:-

AGENDA

Ordinary Business

- | | |
|--|-----------------------|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2014 and the Directors' and Auditors' Reports thereon. | Ordinary Resolution 1 |
| 2. To approve the payment of Directors' fees of RM325,413 for the financial year ended 31 December 2014 (2013: RM318,212). | Ordinary Resolution 2 |
| 3. To re-elect Mr. Foo San Kan 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 3 |
| 4. To re-elect Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz, who was appointed to the Board during the year and retires in accordance with Article 102 of the Articles of Association of the Company and being eligible, offers himself for re-election. | Ordinary Resolution 4 |
| 5. To re-appoint the following Directors who retire in accordance with Section 129(6) of the Companies Act, 1965 to hold office until the conclusion of the next Annual General Meeting:- | |
| (a) Y. Bhg. Tan Sri Razali Bin Ismail | Ordinary Resolution 5 |
| (b) Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy | Ordinary Resolution 6 |
| 6. To re-appoint Messrs KPMG as the Auditors of the Company for the financial year ending 31 December 2015 and to authorise the Directors to fix their remuneration. | Ordinary Resolution 7 |

Special Business

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

- | | |
|---|-----------------------|
| 7. Continuation in Office as Independent Non-Executive Director | Ordinary Resolution 8 |
| <p>"THAT subject to the passing of Ordinary Resolution 3, approval be and is hereby given to Mr. Foo San Kan, who has served as an Independent Non-Executive Director for a cumulative term of more than nine (9) years, to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting."</p> | |

NOTICE OF ANNUAL GENERAL MEETING

8. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Allianz SE Group** Ordinary Resolution 9

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations with Allianz SE Group as specified in Section 2.2 (A) of the Company's Circular to Shareholders dated 15 May 2015, 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."

9. **Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shook Lin & Bok** Ordinary Resolution 10

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the category of Recurrent Related Party Transactions of a revenue or trading nature which are necessary for its day-to-day operations with Shook Lin & Bok as specified in Section 2.2 (B) of the Company's Circular to Shareholders dated 15 May 2015, 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

NOTICE OF ANNUAL GENERAL MEETING

(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."

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

By Order of the Board

NG SIEW GEK
Company Secretary

Kuala Lumpur
15 May 2015

NOTES

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming 41st AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 29 May 2015. Only a depositor whose name appears in the Record of Depositors as at 29 May 2015 shall be entitled to attend and vote at the 41st AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the 41st AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his/her shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company 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 but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the EAN specifies the proportion of its shareholding to be represented by each proxy.
6. The instrument 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 41st AGM.

NOTICE OF ANNUAL GENERAL MEETING

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

The holders of the ICPS shall be entitled to attend the 41st AGM but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 138 of the Annual Report 2014.

EXPLANATORY NOTES ON SPECIAL BUSINESS

Ordinary Resolution 8-Continuation in Office as Independent Non-Executive Director

Pursuant to the recommendations of the Malaysian Code on Corporate Governance 2012, the tenure of an Independent Non-Executive Director should not exceed a cumulative term of nine (9) years. The Board must justify and seek shareholders' approval in the event it retains as an Independent Non-Executive Director, a person who has served in that capacity for more than nine (9) years.

Mr. Foo San Kan, an Independent Non-Executive Director of the Company was appointed to the Board on 25 November 2005. At the last Annual General Meeting of the Company in 2014, the shareholders of the Company had approved for Mr. Foo San Kan to continue to serve as Independent Non-Executive Director of the Company until the conclusion of this Annual General Meeting.

The Ordinary Resolution 8, if passed, will enable Mr. Foo San Kan to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.

The Nominating Committee and the Board of the Company have assessed the independence of Mr. Foo San Kan and were of the view that Mr. Foo San Kan remains independence and shall continue to serve as an Independent Non-Executive Director of the Company based on the justification, among others, as follows:-

- (a) Mr. Foo San Kan fulfilled all criteria under the definition of Independent Non-Executive Director as prescribed by Bursa Malaysia Securities Berhad and Bank Negara Malaysia.
- (b) His vast experience and high management skill, particularly in the fields of accounting, auditing and corporate matters, provide an optimal mix in skill of the Board and are crucial for the Board to discharge its duties effectively and in a competent manner.
- (c) Mr. Foo San Kan is a person of high caliber and integrity. In his capacity as an Independent Non-Executive Director, he discharged his duty diligently, taking into consideration the interests of all stakeholders, in particular the minority shareholders' interest when deliberating on matters which may have impact on their interests.
- (d) He has acted in the best interest of the Company since his appointment as an Independent Non-Executive Director, providing independent and objective views to the deliberations and decision making of the Board and Board Committees.
- (e) Mr. Foo San Kan fully understands the Company and its subsidiaries' objective and strategies as well as the business operation of the Company and the insurance industry market. He devotes substantial time and attentions to his obligation as an Independent Non-Executive Director as well as the Chairman and members of the respective Board Committees:-
 - (i) As a Chairman of the Audit Committee, he encourages healthy debate on matters discussed at the meeting and leading the Audit Committee to resolve issues in a harmonious and effective manner without compromising the integrity of the Audit Committee to the stakeholders. He also provides guidance and support to the finance and governance teams in enhancing the reporting standard and corporate governance standard as well as in addressing issues in relation to fraud and whistleblowing.

NOTICE OF ANNUAL GENERAL MEETING

- (ii) As a member of the Nominating Committee, Remuneration Committee and Risk Management Committee, Mr. Foo San Kan has actively and constructively evaluated matters or proposals tabled at the respective Board Committee meetings, taking into consideration the interests of all stakeholders, in particular the minority shareholders' interest, before making recommendation to the respective Boards for consideration.

The Board recommends for shareholders' approval, the resolution for Mr. Foo San Kan to continue to serve as an Independent Non-Executive Director of the Company after serving for a term of more than nine (9) years.

Mr. Foo San Kan has expressed his willingness to continue to serve as an Independent Non-Executive Director of the Company.

Ordinary Resolutions 9 and 10 – Proposed Shareholders' Mandate

These proposed resolutions, 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 Shareholders' Mandate for recurrent related party transactions of a revenue or trading nature are set out in the Company's Circular to Shareholders dated 15 May 2015, despatched together with the Annual Report 2014.

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 : 03-22641188/22640688

Fax : 03-22641186

Head Office

Suite 3A-15, Level 15, Block 3A

Plaza Sentral, Jalan Stesen Sentral 5

Kuala Lumpur Sentral

50470 Kuala Lumpur

Tel : 03-22641188/22640688

Fax : 03-22641199

www.allianz.com.my

Auditors

KPMG

Level 10, KPMG Tower

8, First Avenue, Bandar Utama

47800 Petaling Jaya

Selangor

Tel : 03-77213388

Fax : 03-77213399

Principle Bankers

CIMB Bank Berhad

Citibank Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

Principal Solicitors

Wong & Partners

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

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 : 1-300-88-1028
www.allianz.com.my

ONE ALLIANZ CALL CENTRE

Level 10, NU Tower 1
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan
Toll Free : 1-300-300-338

CENTRAL REGION

CENTRAL REGION OFFICE

2nd Floor, Wisma Allianz
No. 33, Jalan Gereja
50100 Kuala Lumpur
Wilayah Persekutuan
Tel : 03-20501101
Fax : 03-20501160

1 KUALA LUMPUR

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

2 PETALING JAYA

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

3 KLANG

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

4 KAJANG

No. 17 & 17A, Jalan M/11
Taman Majlis Jaya, Sungai Chua
Kajang 43000
Selangor Darul Ehsan
Tel : 03-87339078 / 87337395
Fax : 03-87336985

5 MALURI

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

6 KEPONG

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

7 SEREMBAN

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

PERAK STATE

8 IPOH

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

9 TELUK INTAN

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

10 TAIPING

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

NORTHERN REGION

11 PENANG

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

12 BUKIT MERTAJAM

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

13 ALOR SETAR

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

NATIONWIDE NETWORK

14 SUNGAI PETANI

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

SOUTHERN REGION

SOUTHERN REGION OFFICE JOHOR BAHRU

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

15 MELAKA

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

16 JOHOR BAHRU

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

17 KLUANG

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

18 SEGAMAT

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

19 BATU PAHAT

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

EAST COAST REGION

20 TEMERLOH

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

21 KUANTAN

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

22 KUALA TERENGGANU

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

23 KOTA BHARU

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

SABAH REGION

SABAH REGION OFFICE MIRI

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

24 KOTA KINABALU

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

25 LAHAD DATU

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

26 SANDAKAN

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

27 TAWAU

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

NATIONWIDE NETWORK

SARAWAK REGION

SARAWAK REGION OFFICE MIRI

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

28 MIRI

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

29 SIBU

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

30 KUCHING

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

31 SARIKEI

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

ALLIANZ LIFE INSURANCE MALAYSIA BERHAD NETWORK OF OFFICES

CUSTOMER CONTACT / SERVICE CENTRE

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

CENTRAL REGION

1 JALAN PINANG

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

2 PETALING JAYA

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

3 DESA JAYA

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

4 KLANG

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

5 SEREMBAN

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

6 MELAKA

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

NORTHERN REGION

7 PENANG

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

8 BUKIT MERTAJAM

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

9 ALOR SETAR

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

NATIONWIDE NETWORK

10 SUNGAI PETANI

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

11 IPOH

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

SOUTHERN REGION

12 JOHOR BAHRU

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

13 KLUANG

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

14 BATU PAHAT

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

15 MUAR

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

EAST COAST REGION

16 TEMERLOH

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

17 KUANTAN

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

18 KOTA BHARU

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

SABAH REGION

19 KOTA KINABALU

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

20 SANDAKAN

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

21 TAWAU

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

SARAWAK REGION

22 KUCHING

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

23 MIRI

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

24 SIBU

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

Shareholders

We seek profitable and sustainable growth to continuously deliver shareholder value.



Scan here to watch a video on Allianz's commitment to shareholders.

**ALLIANZ
GENERAL**

STABLE GROSS WRITTEN PREMIUM GROWTH

RM2.13 BILLION



**ALLIANZ
LIFE**

STRONG DOUBLE-DIGIT GROSS WRITTEN
PREMIUM GROWTH

RM1.83 BILLION





TOTAL ASSETS

RM12.17
BILLION

SHAREHOLDERS' FUND

RM2.29
BILLION

OPERATING REVENUE GREW TO

RM4.38 BILLION

19.9%



PROFIT BEFORE TAX INCREASED TO

RM423.53
MILLION



24.9%

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015

Y. BHG. TAN SRI RAZALI BIN ISMAIL

*Chairman – Independent
Non-Executive Director*

Y. Bhg. Tan Sri Razali Bin Ismail, aged 76, 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.



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 articulating and developing positions in various bodies on issues such as development and sustainability, poverty and marginalisation, political reforms in the United Nations and issues of human rights and the environment. He continues to keep abreast on these subjects at home and abroad, through participation at seminars and interacting with personalities and bodies, ties established earlier. He was the United Nations Secretary-General's Special Envoy for Myanmar for more than 5 years (2000-2005).

In Malaysia, he has built a small position on issues relating to environment and is a self-styled environmental entrepreneur. He is an on

the ground environmentalist especially over the protection and replanting of mangrove and dealing with environmental degradation due to urbanisation, pushing for recovery efforts such as sanitary landfills and the promotion of renewable energy and solar. He was the Pro-Chancellor of University Science Malaysia, Penang for 11 years, Chairmen of the National Peace Volunteer Corp (Yayasan Salam) and a grant organisation on Natural Disaster, Force of Nature (FON). He also heads Yayasan Chow Kit, a foundation for marginalised and neglected children in the heart of Kuala Lumpur. He is 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 Mr. Zakri Bin Mohd Khir, the Chief Executive Officer

and Non-Independent 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 convictions for offences within the past 10 years other than traffic offences.

He attended all of the 7 Board Meetings held during the financial year ended 31 December 2014.

Note:

On 2 July 2002, Y. Bhg. Tan Sri Razali Bin Ismail was re-designated to Non-Independent Non-Executive Chairman as a result of his disqualification as an Independent Director of the Company pursuant to the paragraph 1.01 (g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("LR"). With the approval from the Board, Y. Bhg. Tan Sri Razali was subsequently re-designated as an Independent Non-Executive Director of the Company on 26 November 2009 following his compliance with the definition of Independent Director as prescribed in the LR. Accordingly, the cumulative term of Y. Bhg. Tan Sri Razali as an Independent Non-Executive Director of the Company as at 9 June 2015 is approximately 6 years 4 months.

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015



MR. FOO SAN KAN

Independent Non-Executive Director

Mr. Foo San Kan, aged 66, Malaysian, was appointed to the Board of the Company on 25 November 2005. He is the Chairman of the Audit Committee and a member of the Risk Management Committee, Remuneration Committee and Nominating Committee of the Company. He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Malaysian Institute of Certified Public Accountants. He is also a Fellow of the Institute of Chartered Accountants in England 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 35 years of experience in the accounting profession, of which the last 30 years were spent in various positions in Ernst & Young. During the course of his career, he was involved in various industry sectors including financial services, energy, manufacturing, plantations, property, construction, leisure and entertainment and almost all aspects of the accounting profession.

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. OSK Holdings Berhad;
4. OSK Property Holdings Berhad;
5. Malaysian Trustees Berhad;
6. RHB Trustees Berhad;
7. Symphony House Berhad; and
8. PJ Development Holdings 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 7 Board Meetings held during the financial year ended 31 December 2014.

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015

Y. BHG. DATO' DR. THILLAINATHAN A/L RAMASAMY

Independent Non-Executive Director

Y. Bhg. Dato' Dr. Thillainathan a/l Ramasamy, aged 70, 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.



He obtained his Class 1 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 and Investment Services of Arab Malaysian Merchant Bank (1980-1983) and Lecturer and Associate Professor, Faculty of Economics and Administration of University of Malaya (1970-1979). He is currently the Adjunct Professor of University of Malaya and Chairman of Advisory Board of School of Business and Economics, Monash University.

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. Genting Berhad; and
4. Citibank Berhad.

He is also a trustee of 3 companies limited by guarantee, namely Child Information, Learning and Development Centre, Yayasan MEA and Private Pension Administrator Malaysia.

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 7 Board Meetings held during the financial year ended 31 December 2014.

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015



Y. BHG. TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Independent Non-Executive Director

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, aged 68, 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 graduated with Bachelor and Master of 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, United Kingdom 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.

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

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. Chairperson of 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 all of the 7 Board Meetings held during the financial year ended 31 December 2014.

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015

Y.A.M. TUNKU ZAIN AL-ABIDIN IBNI TUANKU MUHRIZ

Independent Non-Executive Director

Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz, aged 32, Malaysian, was appointed to the Board of the Company on 28 November 2014. He is a member of the Nominating Committee of the Company.



Y.A.M. Tunku Zain Al-Abidin was educated in Malaysia and the United Kingdom. He obtained his Bachelor of Science Degree in Sociology and Government and Master of Science in Comparative Politics from the London School of Economics and Political Science in 2003 and 2004 respectively. Subsequently, he worked in the UK Houses of Parliament before moving to Washington DC to join the World Bank as a Public Sector Consultant. Upon returning to Malaysia in 2008, he worked at the United Nations Development Programme, a regional public affairs consulting firm before becoming a Research Fellow at the Lee Kuan Yew School of Public Policy at the National University of Singapore.

Y.A.M. Tunku Zain Al-Abidin is Founding President of the Institute For Democracy And Economic Affairs Berhad and Research Fellow of CIMB ASEAN Research Institute. He is also a columnist and maintained his weekly columns in the Malaysian press, out of which three books have compiled. He also authored a book for the Installation of the Yang di-Pertuan Besar of Negeri Sembilan and led a major project to revitalise the State Anthem.

Y.A.M. Tunku Zain Al-Abidin's other directorships in public companies are as follows:-

1. Kian Joo Can Factory Berhad; and
2. Institute For Democracy And Economic Affairs Berhad.

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

Y.A.M. Tunku Zain Al-Abidin has been selected for various leadership programmes by the governments of Australia, France and the European Union, and was an Eisenhower Fellow in 2013.

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

Y.A.M. Tunku Zain Al-Abidin has not attended any Board Meeting during the financial year ended 31 December 2014 as there was no Board Meeting held following his appointment as a Director of the Company on 28 November 2014.

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015



MR. ZAKRI BIN MOHD KHIR

*Chief Executive Officer and
Non-Independent Executive Director*

Mr. Zakri Bin Mohd Khir, aged 51, Malaysian, was appointed to the Board of the Company on 26 April 2010. He is a member of the Investment Committee of the Company.

Mr. Zakri Bin Mohd Khir obtained his Certificate of Insurance from the Institut Teknologi Mara in 1986. He has over 27 years of experience in the insurance industry.

He joined the Company in 2000 as the Head of Industrial Business and subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of Allianz General Insurance Company (Malaysia) Berhad ("AGIC") before he assumed his current position as the Chief Executive Officer ("CEO") of AGIC in December 2010. Mr. Zakri Bin Mohd Khir is also the CEO of the Company since September 2014. Prior to his employment with the Group, he was the General Manager of The American Malaysian Insurance Berhad.

Mr. Zakri Bin Mohd Khir's other directorships in public companies are as follows:-

1. AGIC;
2. Allianz Life Insurance Malaysia Berhad; and
3. Bright Mission Berhad.

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

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

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

He attended all of the 7 Board Meetings held during the financial year ended 31 December 2014.

BOARD OF DIRECTORS' PROFILES

AS AT 21 APRIL 2015

MR. ONG ENG CHOW

*Chief Financial Officer and
Non-Independent Executive Director*

Mr. Ong Eng Chow, aged 50, Malaysian, was appointed to the Board of the Company on 26 June 2009. He is a member of the Investment Committee of the Company.



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

He has more than 25 years of experience in the financial service industry, of which 20 years were in the insurance industry. He joined Allianz Life Insurance Malaysia Berhad ("ALIM") on 1 June 1999 as Financial Controller

and was redesignated as Chief Financial Officer ("CFO") in 2005. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and ALIM. Prior to his employment with the Group, he was the Financial Controller of EON CMG Life Berhad.

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 the Company

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

Mr. Ong attended all of the 7 Board Meetings held during the financial year ended 31 December 2014.

SENIOR MANAGEMENT TEAM



1



2



3



4



5



6



7



8



9



10

1. Zakri Bin Mohd Khir

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

2. Rangam Bir

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

3. Ong Eng Chow

Chief Financial Officer of AMB and ALIM

4. Horst Hermann Habbig

Chief Sales Officer of AGIC

5. Ong Pin Hean

Chief Sales Officer
Agency Distribution of ALIM

6. Lim Li Meng

Chief Sales Officer
Partnership Distribution of ALIM

7. Wang Wee Keong

Chief Operations Officer of AMB and AGIC

8. Stefan Ritz

Chief Operations Officer of ALIM

9. Chin Tze How

Group Chief Market Management Officer

10. Lee Chi Kwan

Head of Finance of AGIC

A portrait of Tan Sri Razali Bin Ismail, the Chairman, wearing a light blue button-down shirt and glasses. He is gesturing with his hands while speaking. The background is a bright, out-of-focus office setting.

CHAIRMAN'S STATEMENT

Operating Revenue rose
19.9% to

RM4.38
billion

Profit Before Tax
improved 24.9% to

RM423.53
million

TAN SRI RAZALI BIN ISMAIL
Chairman

CHAIRMAN'S STATEMENT

Dear Shareholders,

IN 2014, THE CONVENTIONAL INSURANCE INDUSTRY REGISTERED HEALTHY GROWTH FOR BOTH LIFE AND GENERAL BUSINESSES. THE CONTINUED DEVELOPMENT OF THE INSURANCE INDUSTRY REFLECTS GROWING AWARENESS AMONGST MALAYSIANS OF HAVING SUFFICIENT RISK COVERAGE. IN THE FINANCIAL STABILITY AND PAYMENT SYSTEMS REPORT 2014 ISSUED BY BANK NEGARA MALAYSIA, IT WAS REPORTED THAT INSURANCE PENETRATION IN MALAYSIA REACHED 55.5%.

In tandem with the overall industry performance, Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") also recorded a solid year of growth. The Group achieved record levels in three areas, namely Gross Written Premiums ("GWP"), profit before tax and earnings per share on the back of successful execution of strategic initiatives and prudent expense management.

On behalf of the Board of Directors, it is my pleasure to present the consolidated Annual Report and Financial Statements of the Group for the financial year ended 31 December 2014.

A YEAR OF STRONG FINANCIAL PERFORMANCE

For the year under review, operating revenue rose 19.9 percent to RM4.38 billion from RM3.65 billion in 2013. The Group's life and general insurance businesses continued to achieve strong sales performance, resulting in a 10.9 percent increase in Group consolidated GWP to RM3.97 billion from RM3.58 billion reported in the preceding year.

The Group's profit before tax improved by 24.9 percent to RM423.5 million from RM339.2 million the previous year, which saw basic earnings per share increasing to 178.49 sen from 149.24 sen in 2013.

As at 31 December 2014, the Group's total assets stood at RM12.17 billion, which was a 13.1 percent increase from RM10.76 billion in 2013, while shareholders' funds rose by 13.1 percent to RM2.29 billion from RM2.02 billion the year before.

The Group's insurance subsidiaries remained well capitalised as at 31 December 2014 in compliance with regulatory requirements.

DIVIDENDS

The Company continuously strives to protect shareholders' capital and provide attractive returns and dividends whilst striking a balance between the dividend payout and capital requirement of its insurance subsidiaries. Hence, in line with the Group's solid growth recorded during the year and after taking into consideration the capital retention requirement to fund future business growth, the Board declared

interim dividends of 5.00 sen per ordinary share and 6.00 sen per Irredeemable Convertible Preference Share ("ICPS"), both under a single tier system for the financial year 2014. Both interim dividends were paid to the entitled shareholders on 30 January 2015.

The Board of Directors does not propose any payment of final dividends for the ordinary shares and ICPS for the financial year ended 31 December 2014.

STRONG PERFORMANCE DRIVEN BY KEY BUSINESS SEGMENTS

The Group's general and life insurance businesses both contributed towards its solid performance in 2014. The encouraging results can be attributed to the successful execution of wide-ranging and forward-thinking initiatives throughout the year. These initiatives were premised on the principles of sustainability, risk diversification and profitable long-term growth.

CHAIRMAN'S STATEMENT

Allianz General
posted operating
revenue of more than
RM2 billion
for the first time

GENERAL INSURANCE

The general insurance arm of the Group, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General"), posted operating revenue of more than RM2 billion for the first time. At RM2.13 billion, GWP achieved in 2014 increased by 7.9 percent over RM1.98 billion recorded the previous year. The positive growth is driven by the effective business development activities in its strong and diverse distribution network of the Agency, Broker, Franchise, Bancassurance and Telemarketing channels. Agency contributed 57.3 percent or RM1,223.3 million of GWP, while the other channels generated RM911.0 million, representing growth of 9.5 percent and 5.8 percent respectively over the previous year.

The Motor business rose by 11.5 percent and remained the larger contributor to Allianz General's GWP. At RM1,277.5 million, motor premiums made up 59.9 percent of Allianz General's portfolio. The Non-Motor business, which includes Property, Health, Personal Accident, Liability, Marine and others, grew by 2.9 percent to RM856.8 million achieved in the previous year. With these results, Allianz General has strengthened its leadership position in the conventional general insurance market.



In 2014, Allianz General launched the "Let's Get Personal" campaign aimed at reaching out to both its customers and the general public. Through this campaign, Allianz General undertook a series of initiatives to raise awareness on personal risk management as well as offer more affordable and innovative personal insurance products and services. Notable activities include the launch of Kampungku, a specially designed insurance coverage for 'kampung' houses, Allianz Booster Care, a medical top-up plan with treatment coverage that extends to Singapore, and the Allianz Auto Assist mobile application that enhances the roadside assistance experience.

By continuing the multi-line, multi-distribution strategy and prudent underwriting, Allianz General recorded an underwriting profit of RM202.6 million, an increase of 27.1 percent over RM159.4 million produced the year

before. The strong underwriting result is reflected in the healthy combined ratio of 87.0 percent, which improved by 1.3 percentage points from 88.3 percent in 2013. The claims ratio decreased by 0.9 percentage points to 59.3 percent from 60.2 percent in 2013, while expense ratio reduced by 0.6 percentage points to 17.3 percent from 17.9 percent in 2013. The better claims ratios are attributed to the continuous improvements in the quality of internal controls whilst improved expense ratios are due to efficiency of service delivery systems.

Allianz General will continue to strengthen its organisational, distribution and service capabilities to achieve sustainable, profitable growth.

CHAIRMAN'S STATEMENT



LIFE INSURANCE

The Group's life insurance arm, Allianz Life Insurance Malaysia Berhad ("Allianz Life") also delivered excellent performance in 2014. GWP recorded strong double-digit growth to achieve RM1.83 billion in 2014, representing a 14.6 percent increase over RM1.60 billion in the preceding year.

Overall, Annualised New Premiums ("ANP") increased by 4.6 percent to RM353.3 million from RM337.7 million in 2013. Investment-linked products made up 63.5 percent of ANP compared with 56.0 percent the year before, in line with Allianz Life's focus to write more investment-linked business. However, premiums from the savings business registered a decline, in line with an overall industry slow-down.

Allianz Life continued to leverage its multi-distribution channels of Agency, Bancassurance and Employee Business to deliver growth. The Agency channel remained the biggest contributor to overall ANP at 83.3 percent with a 1.2 percent increase from RM290.5 million in 2013. During the year, the Agency channel embarked on various strategic initiatives to strengthen its agency force. Recruitment activities resulted in an increase in the number of agents by 14.0 percent from 7,652 in 2013 to 8,720 at the end of 2014. 2014 also saw the Agency channel making progress in the East Coast of Malaysia with the emergence of new agencies.

The Bancassurance partnership between Allianz Life and HSBC Bank Malaysia

Berhad, which kicked-off in January 2013, picked up pace in its contribution to overall ANP. The positive results not only positioned Allianz Life as one of the major Bancassurance players in the market but also helped to increase the non-agency share of ANP. Through this partnership and other alternative distribution initiatives, the channel grew 31.0 percent to achieve ANP of RM43.6 million in 2014.

The Employee Benefits (corporate) business consolidated its top three position in the market, with an ANP growth of 11.8 percent in 2014.

Allianz Life will continue to focus on healthy and sustainable margins supported by disciplined pricing methodologies and strict risk management.

**Allianz Life
recorded strong
double-digit GWP
growth to achieve
RM1.83
billion**

CHAIRMAN'S STATEMENT

REACHING OUT TO OUR CUSTOMERS

During the year, the Group actively engaged in enhancing the level of service to its 2.8 million customers nationwide. The aspiration to deliver fast, easy and reliable service saw new initiatives launched that included new facilities for the in-bound and out-bound customer service call centres, refurbishment of a number of branches, a performance grading system for Allianz General's panel motor workshops and better processes for hospital admissions, among others. In all, Allianz customers are served by approximately 1,800 employees, a combined life and general agency force of more than 13,000 agents, an extensive branch network across the country, and business partners comprising banks, car dealers, brokers and other service partners.

DRIVING TOWARDS DIGITALISATION

Digital is the new frontier. 2014 saw the Group further embracing digital as an integral business strategy. The Group made concerted effort to embed digital in its business operations and as a means of interacting with customers and partners. In 2014, Allianz General launched Allianz Auto Assist, a smartphone application which provides everything a road user needs for roadside assistance. Allianz Life introduced the first phase of its full-featured sales planning and e-submission application for agents who use iPads. The application is geared at redefining Allianz Life's front-end system and is aimed at serving the needs of intermediaries better. Furthermore, a customised on-line survey with the view to utilise this platform to gather customer insights in the future was piloted and the use of social media to actively engage with the on-line

community was accelerated in the Group. The Allianz Malaysia and Allianz Pacer Facebook pages, YouTube channel and an Instagram account all work in concert to communicate and engage with the Group's stakeholders and the general public.

ADOPTING REGULATORY CHANGES

During the year under review, the Group carried out measures to ensure compliance with regulatory changes impacting the industry. The Code of Privacy Practice for the Insurance and Takaful Industry in Malaysia, drafted pursuant to the Personal Data Protection Act 2010 ("PDPA"), is being finalised for submission to the Personal Data Protection Commissioner by early 2015. The Life Insurance Association of Malaysia ("LIAM"), which was appointed as the Data User Forum for the Insurance Sector representing members from LIAM, the General Insurance Association of Malaysia and the Malaysian Takaful Association, will be attending to the said submission.

As part of the Allianz SE Group, the Group has adopted the Allianz Standard for Data Protection and Privacy ("ASDP"). The ASDP provides supporting guidelines and tools that promote a consistent approach to data privacy for Allianz entities. By adopting the ASDP, the Group enhances its compliance with the PDPA.

2014 also saw the Group implementing changes to ensure that its documents and processes comply with Schedule 9 of the Financial Services Act 2013 ("FSA"), which came into force on 1 January 2015. Schedule 9 of the FSA outlines the pre-contractual duty of disclosure and representations for contracts of insurance. Besides that, Bank Negara Malaysia

("BNM") issued a guideline on Prohibited Business Conduct. The guideline provides guidance on descriptions of prohibited business conduct as set out in Schedule 7 of the FSA and Islamic Financial Services Act 2013 and reinforces existing standards on business conduct and consumer protection issued by BNM.

The Group has also successfully implemented customer on-boarding and reporting processes to be in compliance with the US Foreign Account Tax Compliance Act in July 2014.

Meanwhile, 2014 saw the renaming of the Anti-Money Laundering and Anti-Terrorism Financing Act 2001 to the Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 ("Act"); and the inclusions of new provisions as well as amendments to existing provisions to provide clarity and higher penalties for money laundering offences. Other parts of the Act relating to cross-border movements of cash and its equivalent were enforced on 1 October 2014. The Group performs due diligence and sanction screenings of customers to detect business transactions that may be connected with money laundering or terrorism financing.

In preparation for the implementation of the Goods and Services Tax Act 2014 ("GST") on 1 April 2015, the Group undertook an extensive review of the possible impact of GST on its business operations and put in place necessary action plans. It is also the Group's responsibility to keep customers informed. The Group provided policyholders with information on GST through different communication mediums so that they will understand how it impacts them and be fully prepared when it is enforced. Various initiatives were also taken to educate agents and employees on GST.

CHAIRMAN'S STATEMENT

The Group actively engaged in enhancing the level of service to its **2.8 million** customers nationwide



STRENGTHENING THE CORPORATE BRAND

2014 was an exciting year for the Group on the corporate branding front. The Group recognised that public awareness of the Allianz brand remained relatively low and invested to raise brand awareness. In May 2014, the Group launched the "1 Thing That Matters" campaign, an integrated campaign leveraging traditional and digital media. The message was that as an insurer that understands, Allianz cares about what matters most to people and wants to ensure that these are protected and taken care of. Besides the campaign, the Group also sponsored initiatives that reached out to our customers. These include sponsoring KidZania, the educational theme park for children, the Allianz Junior Football Camp to select talented teenage footballers to attend a camp conducted by FC Bayern Munich coaches and the Allianz Pacer Running Community to promote a healthier lifestyle.

ENGAGING OUR EMPLOYEES

The Group recognises its employees as being one of the most important stakeholders and contributors to its success. As such, it believes in investing in and developing its employees. In 2014, all employees took part in a team building event at KidZania to celebrate the second anniversary of Allianz Academy, the learning and development centre. The theme of the event, "In the Customer's Shoes", centred on inculcating service excellence as part of the Group's inherent corporate culture. The Group also rolled out a series of work-life balance initiatives to better foster an environment where employees are healthy, productive and motivated. Initiatives included sports and recreation activities, flexi-work arrangements, health and wellness as well as introducing a careline for employees in need of support. During the year under review, the Group's commitment to developing our employees has been recognised by the Life Office Management Association ("LOMA"), which awarded Allianz Life the "LOMA Excellence in Education Award" for the year of 2013.

CONTRIBUTING TO SOCIETY

The Group's commitment to being a responsible corporate citizen is driven by its conviction that this is not just important, but paramount to its sustainable future. The Group understands that commitments made to its customers today need to be kept long into the future and believes that this can be achieved through a holistic, long-term approach to economic growth, environmental stewardship and social responsibility.

Globally, Allianz is no stranger to this, as it celebrates its 125th anniversary in 2015. Two emerging megatrends have been identified as key topics during the global celebrations, namely Environmental Change and Demographic Change. Locally, the Group will commemorate this event by organising initiatives around the topic of Environmental Change, which is timely in the wake of some of the worst floods in Malaysian history. In the immediate aftermath of the floods, the Group's response not just from a claims perspective, but also from a humanitarian aspect, was swift and effective.

CHAIRMAN'S STATEMENT



The Group launched the “1 Thing That Matters” campaign, an integrated campaign leveraging traditional and digital media

Employees, business partners, their friends and families contributed to the collection and distribution of relief items as well as the clean-up of affected areas. The extending of a helping hand embodies the spirit of Allianz – to be there, and to make a difference, in times of need.

The progress of the Group's corporate responsibility activities in 2014, encompassing its efforts to incorporate sustainable practices into its products and services, engagement with society via corporate responsibility initiatives, consistent review and enhancement of governance structures and environmental process improvements are detailed in the Sustainability Report, which forms part of this Annual Report.

The Group's commitment and initiatives in corporate responsibility has been recognised by various external parties. The Group's Sustainability Report for the year 2013 was awarded the “Best Reporting within an Annual Report” by ACCA Malaysia's Sustainability Reporting

Awards (“MaSRA”) 2014. During the year under review, the Group was also awarded third place in the Edge Billion Ringgit Club Corporate Responsibility Award under the “Below RM10 billion market capitalisation” category for the year 2013.

OUTLOOK FOR 2015

BNM in its 2014 annual report forecasts the Malaysian economy to remain on a steady growth path in 2015, with its gross domestic product (“GDP”) projected to grow between 4.5 percent to 5.5 percent. Overall, a weaker economic market, the implementation of GST and the weaker ringgit is expected to negatively impact consumer sentiment. In line with that, our outlook of the general insurance market is expected to be modest, both in the retail and commercial insurance segments. Similarly, the life insurance market may see a tapering in new business especially in the traditional savings segment, but is expected to keep in line with GDP growth.

Allianz General has been preparing for the impending 2016 de-tariffication of the motor and fire tariffed classes of business. As part of the preparatory work, Allianz General has put in place necessary safeguards and is building capabilities in the areas of pricing, product design, portfolio, commission, as well as distribution management.

In 2013, BNM proposed the Life Insurance and Family Takaful framework, aimed at providing wider access through direct channels to compare and purchase life/family takaful products, a larger pool of financial advisers who are qualified to provide independent financial advice, and improved incentive structures for insurance intermediaries that have a stronger focus on professional conduct and service quality in the interests of consumers. Implementation is expected to be rolled-out in phases, with the first phase in 2015, as mentioned in The Financial Stability and Payment Systems Report 2014. In response, Allianz Life has been strengthening its multi-distribution capabilities, increasing its emphasis on

CHAIRMAN'S STATEMENT

delivering excellent service to customers, whilst enforcing strict capital and expense discipline.

Overall, the Group is dedicated to maintaining profitability and sustaining market share by offering superior products and services, strengthening distribution capabilities and relationships with our partners, as well as focusing on delivering operational excellence.

On this note, the Board is cautiously optimistic that the Group's initiatives will enable us to be positioned strategically in the market and to achieve profitable results in the new financial year whilst delivering long-term and sustainable growth.

ACKNOWLEDGEMENTS

On behalf of the Board of Directors, I wish to extend my deepest gratitude to our valued shareholders, customers, agents, brokers, distribution partners at banks and other business partners for their support and confidence in the Group. I would also like to convey my utmost thanks to Bank Negara Malaysia, Bursa Malaysia Securities Berhad and all other relevant regulatory bodies and authorities for their invaluable advice, guidance and support throughout the year.

My sincere thanks also go to the Senior Management team and the Group's employees for their dedication and pursuit of excellence. The Group would not have been able to achieve its success without their committed efforts. On this note, I would like to thank Mr. Jens Reisch for his contributions to the Group during his tenure as Chief Executive Officer ("CEO") of the Company and Allianz Life and Executive Director of the Group. Mr. Reisch left the Group in July 2014 to pursue other career opportunities. I wish him well in his future endeavours.



I would also like to thank Mr. Alexander Ankel, Non-Executive Director of the Company, who has decided to pursue other career opportunities outside the Allianz Group, for his contribution and guidance rendered during his tenure as a Non-Executive Director of the Company.

I would like to extend my warmest welcome to Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz, appointed as an Independent Non-Executive Director effective 28 November 2014 and Mr. Rangam Bir, on his appointment as CEO of Allianz Life on 5 December 2014. Mr. Bir has played a vital role in his former position as Regional General Manager at Allianz SE, Singapore Branch, where he headed both the Life & Health as well as Property & Casualty businesses. I would also like to take this opportunity to congratulate Mr. Zakri bin Mohd Khir on his appointment as CEO of the Company. I am confident that under their leadership, the Group will achieve new heights of success.

Finally, I trust that the Group will continue to benefit from the support of its stakeholders in the coming year as we strive to build on the positive momentum, to grow from strength to strength.

Thank you.

Tan Sri Razali Bin Ismail

Chairman

21 April 2015

Society

Our commitment to being a responsible corporate citizen is driven by our conviction that this is not just important, but paramount to our sustainable future as a business.



Scan here to watch a video on Allianz's initiatives for society.

OVER

RM280,000

INVESTED IN FLOOD RELIEF EFFORTS AND

11.5 TONNES

OF ITEMS DONATED IN AID OF EAST COAST FLOOD VICTIMS



Allianz4Good in 2014



VOLUNTEER HOURS

3,053

OVER

17,600

PEOPLE
REACHED THROUGH VOLUNTEERING



VOLUNTEERS NATIONWIDE

417



SUSTAINABILITY REPORT

CONTENT

About this report

This report covers the sustainable development of Allianz Malaysia Berhad and its subsidiaries in 2014.

Allianz Malaysia Berhad and its insurance subsidiaries are collectively referred to as "Allianz".

Allianz SE (the holding company of Allianz Malaysia Berhad) Group is referred to as "Allianz Group".

Unless otherwise stated, all key figures are as at 31 December 2014 and content reported is for the financial year ending 31 December 2014.

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Allianz4Good@allianz.com.my

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SUSTAINABILITY REPORT

STRATEGY AND MANAGEMENT



"Our commitment to being a responsible corporate citizen is driven by our conviction that this is not just important, but paramount to our sustainable future."

Zakri Khir

CEO's Statement

2014 has been a difficult year. From major national air tragedies, to the capping of the year with devastating floods, our country has had its share of adversity. It has been difficult as a nation to comprehend – why us? It will definitely take time for the scars of these tragedies to heal and it will be sometime before we can fully accept that this has happened to us. Our thoughts and prayers continue to go out to those affected.

However, I also believe that such trials are opportunities for us to show our mettle. As an industry, the response to the air disasters was swift – we honoured the claims, as the affected families have enough grief to deal with already. Allianz in particular, was involved in the tragedies and it was a chance for us to show that we can and will make a difference in a time of need.

In the aftermath of the East Coast Floods at the end of 2014, we expedited the claims for affected persons and relaxed repayment requirements for certain policies. This is standard practice for us in response to a major flood. However, I am prouder still of our humanitarian response. Our employees, agents, friends and family stepped in not only to donate items to affected communities, but also to clean up flood-affected schools. It did not matter that the flood survivors were strangers. As Malaysians, we are all in this together.

And that, precisely, is the spirit we are building in Allianz Malaysia. Earlier in 2014, the Allianz Academy celebrated its third year anniversary in KidZania. The entire company was split into four teams and employees from different parts of the country - of varying ages, backgrounds and professions - most meeting for the first time, had to work together to compete for the top team ranking. The quick sense of camaraderie and the opportunity to work together beyond work led to an almost palpable excitement surrounding those few weeks. Themed around the topic of service excellence, colleagues became familiar with skills necessary to enhance their performance as cogs of a large, cohesive Allianz machine.

In 2015, Allianz celebrates its 125th anniversary worldwide. Two emerging megatrends have been identified as key topics during the global celebrations, namely Environmental Change and Demographic Change. In Allianz Malaysia, we are commemorating this event by having a year-long focus on Environmental Change which, in the wake of the floods, is extremely relevant and timely. Risk is an inherent part of our business and in our corporate responsibility efforts, we address and try to reduce risks, both current and emerging. Our corporate volunteering activities revolve around four main topics – financial literacy, to reduce financial risk in the long-term; road safety, to reduce risks on the road; environment, to reduce emerging risks related to climate change; and finally community – particularly in the areas of crime prevention and fire and flood safety.

I invite you to read the following pages to find out how our corporate responsibility encompasses not only societal risks, but also ethics and innovation in our business and the way we deal with our stakeholders. Our commitment to being a responsible corporate citizen is driven by our conviction that this is not just important, but paramount to our sustainable future.

Zakri

SUSTAINABILITY REPORT

STRATEGY AND MANAGEMENT**Managing Corporate Responsibility**

At Allianz, we strive to build a corporate culture in which social and environmental challenges are managed as opportunities for ensuring our sustainable success as a company. This is achieved through combining long-term economic value creation with a holistic approach to corporate governance, environmental stewardship and social responsibility. You can see an example of this in the first ever Innovation Incubator workshop, which aimed to address a societal issue, namely the lack of accessibility for Persons with Disabilities, through the development of a viable business solution (→ Social).

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 also embed values such as diversity, fair treatment and equality into our practices.

Since 2011, we have identified four focus areas where we want to utilise our expertise as an insurance company and risk manager to affect change, namely Safety, Financial Literacy, Environment and Community. We have expanded our commitments beyond cash donations and traditional corporate philanthropy and focus on engaging our employees and business partners through various volunteering activities.

2014 saw the further development of existing activities, with experience helping us to refine our approach. For example, we developed our very own road safety educational booklet for children. For the first time, in the beginning of 2015, we were heavily engaged in disaster relief in response to the flood situation affecting the East Coast of the country. Our employees and agents contributed generously to provide relief to flood-hit areas and also volunteered to assist in clean-up operations. With the effects of climate change becoming more apparent, we anticipate the necessity for more such disaster relief and response initiatives, and will work to build this into our corporate responsibility portfolio.



SUSTAINABILITY REPORT STRATEGY AND MANAGEMENT

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.

 Customers	<ul style="list-style-type: none"> • Knowledge-sharing initiatives • Facebook • Website • Customer surveys • SMS • Community events • Smartphone applications
 Employees	<ul style="list-style-type: none"> • Employee feedback • Townhall meetings • Corporate volunteering programmes • HR-related dialogues • Monthly newsletters • Quarterly magazines • Staff activities • Learning and development programmes • Internal staff portal • Staff surveys • Onboarding for new employees
 Agents/ Business Partners	<ul style="list-style-type: none"> • Agents Point magazine • Quarterly magazines • Festive dinners • Seminar and Recognition Conventions • Annual Marketing Conventions • Training sessions • Facebook • Agents' portal • Corporate volunteering programmes • Corporate activities • Majalah Pantai Timur • Mobile messaging (e.g. SMS, messaging applications)
 Government Relations	<ul style="list-style-type: none"> • Public partnerships • Interaction with regulatory bodies
 Investment Community/ Shareholders	<ul style="list-style-type: none"> • Annual General Meetings • Quarterly analyst briefings • Meetings with fund managers and investors • Quarterly Reports and Annual Reports • Audited Financial Statements • Shareholders' circulars • Announcements released to Bursa Malaysia Securities Berhad • Media releases • Website • Facebook • Fund Performance Reports • Investor Relations
 Society	<ul style="list-style-type: none"> • Partnerships for civic engagement (e.g. with NGOs) • Corporate volunteering activities • Outreach events • Career and Recruitment fairs • Social sponsorships • Community events • Facebook • Knowledge-sharing initiatives • Smartphone applications
 Media	<ul style="list-style-type: none"> • Press conferences and events • Media releases • Media relations • Blogger events

SUSTAINABILITY REPORT

ECONOMIC



Our sustainable and profitable growth is based on our commitment to be the most reliable financial services provider. We strive to anticipate the needs of our customers and to be innovative in developing affordable and appropriate solutions.



We had
2.8
MILLION
customers
in 2014

As a financial services provider, we strive for service excellence to achieve our aim of being the most reliable partner for our customers. We value feedback from our customers which enables us to assess and enhance both our products and their delivery and to continually innovate to meet customers' expectations. We listen to our customers because it is important for us to know what matters to them.

Feedback for Service Improvement

As an insurance company, it is important that our products and services are meeting the needs of our customers and remain relevant in a rapidly changing consumer environment. We strive to ensure our customers are well informed about their policies they have with us. With that in mind, we consistently conduct welcome calls to our new life policyholders to gauge their satisfaction and understanding of their new policies. At the same time, we take the opportunity to inform them that we are always here to assist on any policy-related matters. Agents are our primary conduits between our customers and us. We conduct service calls to our agents to determine if there are gaps in our service delivery as well as to gauge the relevance of our products and services in the marketplace.

We gather the voice of our customers through the Net Promoter Score ("NPS") survey which measures customer perception and customer experience. Top-down NPS tracks our performance relative to our industry peers while Bottom-up NPS assesses our customer's recent service experience at key touch points. This feedback provides valuable insights into areas where we must improve and also serves as validation of whether processes implemented are achieving their desired results.

Our active use of feedback to improve our services has seen the number of complaints lodged against the Company decrease by 22% compared to 2013. We are also committed to improving our turnaround time to better serve our customers. Over 30% of our customers own more than one Allianz policy, which is testament to the confidence and trust they have in our products and services.



SUSTAINABILITY REPORT

ECONOMIC

What is the 1 Thing that Matters?

In 2014, Allianz Group launched a campaign asking people what is the '1 Thing That Matters' to them. Malaysia, along with other Asian counterparts such as Thailand, Indonesia and Taiwan, were part of this campaign, which aims to increase our dialogue with the public to understand what their individual priorities are. Through this interaction, we are then able to focus on areas that really matter to people.

From the feedback received, health is clearly a priority, followed by family and quality time. This is very much in line with Allianz's own emphasis on the importance of adequate protection for individuals as well as long-term savings and retirement planning.

Top 3 'Things that Matter'

1  Health

2  Family

3  Quality Time

Health

We support the adoption of a healthy lifestyle through, for example, our Allianz Pacer Running Community initiative, raising awareness via our press releases and encouraging health checks. However, our core purpose in the area of health is to provide meaningful and appropriate products that relate to health coverage.

In order to meet the changing needs of our customers and the inevitable rise in medical costs, we continuously review our products to ensure that our customers are always sufficiently protected. In 2014, we conducted a revamp of our medical products to address the current and future needs of our customers. We also keep our customers and the general public abreast of developments in this area through our various media channels.

Allianz Booster Care, a top-up medical insurance plan, was developed in 2014 to provide additional medical cover at an affordable rate. We understand that most people already have existing medical coverage. However, many are unaware that this coverage has a limit and could result in a situation where the existing coverage is insufficient for the treatment required. The Allianz Booster Care does not apply for medical expenses incurred below a pre-determined sum, but would cover any costs over and above this. Such situations are more likely to happen in cases of serious illness. In light of rising medical costs, Allianz Booster Care helps our customers have peace of mind knowing that in times of need, they have access to the financial resources necessary to seek treatment.



SUSTAINABILITY REPORT

ECONOMIC



“In Malaysia, people need to aim at reaching an adequate replacement rate of their former income. They need support in planning and understanding what lifelong income they can get from their accumulated assets.”

Dr. Renate Finke
Senior Economist with the International Pensions unit at
Allianz Asset Management AG

Demographic Change

Uncertainty over medical costs has significant implications on saving for retirement. When we launched RetirePlus, our retirement planning plan, we included the option to add MediAide, a medical rider that can be attached to the basic plan. We understand that as a person grows older, their medical costs may escalate. Without adequate medical coverage, there may be a high possibility of having their retirement savings wiped out by these expenses. The inclusion of a medical rider can help to mitigate such a situation.

Apart from having various products that cater to long-term financial security, we also launched two mobile applications; MyLifePlanning, a financial planning tool, and Life@70, a fun app to create retirement awareness. A contest called Memory Keeper was also launched on the Allianz Malaysia Facebook page to encourage Malaysians to start thinking about retirement planning early.

We see ourselves as a strong partner for retirement, having the global knowledge and local expertise in this field. In 2014, we invited Dr. Renate Finke, a Senior Economist with the International Pensions unit at Allianz Asset Management AG in Munich, to visit us. During her visit, she presented her research and publications on trends in the global retirement market and how different age groups prepare for retirement at a press conference. Insights from Allianz industry experts such as Dr. Finke help us to continuously innovate our products and service offerings to better serve the retirement needs of Malaysians.



SUSTAINABILITY REPORT ECONOMIC

Access to Finance

Not only do we strive to ensure Malaysians' health and long-term financial needs are met, but we also hope to provide solutions for all their insurance needs. The insurance penetration rate for the Malaysian population is still low. We believe that one way to encourage this is by offering affordable and reliable products. Through the Let's Get Personal campaign, we aimed to further our reach to the uninsured and raise awareness about the importance of adequate insurance cover. A number of new products and initiatives were launched in 2014 that expanded our offerings and provided insurance options to the previously underserved.

For example, the Kampungku (My Village) product launched in April 2014 offers entry level insurance coverage to the population in rural areas by covering incidences of fire, floods and windstorms for kampung houses. Most of these homes have never received coverage before, as kampung houses tend to be constructed out of wood. Another product that was launched in 2014 was the Bike Warrior, which provides protection for superbikes, offering them, for the first time, a roadside assistance service, along with personal accident benefits and flood coverage.



Service Excellence

The delivery of excellent products and services to our customers and business partners is key to Allianz's performance as a company. Various steps have been taken to build a service culture within Allianz, emphasising the key messages of providing Fast, Easy and Reliable service. Employees nationwide were encouraged to step into the customers' shoes during an experiential learning challenge held in KidZania Kuala Lumpur.

We believe that having the right people with the right competencies for the job in place will lead to better service provision and satisfied customers. With this in mind, we promote the continuous development of our employees and encourage them to pursue industry relevant professional exams in order to be professionally accredited. Since 2012, there has been an increase of 646% in the number of employees enrolling for insurance-related professional exams.

As our frontline service providers, our agents also receive support from Allianz for their learning and development. Sales and service training is offered to our agents as well as to their teams to ensure that they are fully aware of our products as well as the quality of service we expect them to deliver.

Allianz's primary educational representative, Wong Woon Man, accepted the Life Office Management Association ("LOMA")

Excellence in Education Award 2014

on behalf of the Company based on our exceptional pass rates and growth in enrolment for LOMA exams



SUSTAINABILITY REPORT ECONOMIC

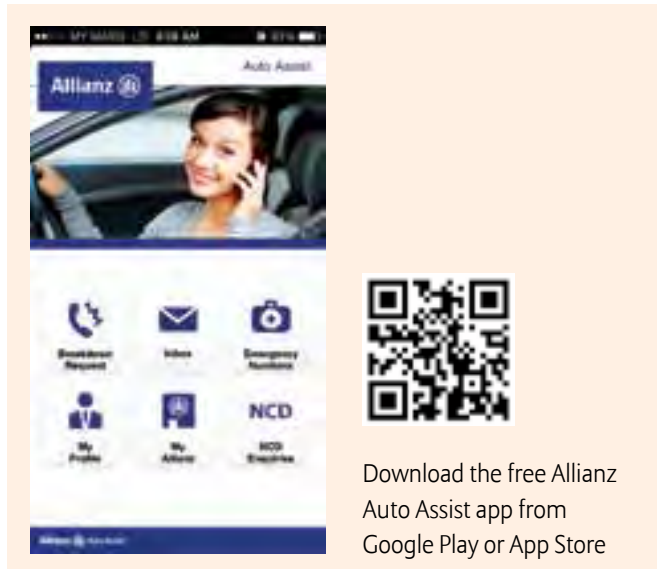
Digitalisation

Digital is the new frontier. In our current digital world, improvements in our service provision are also dependent on our digital offerings. Allianz further embraced digitalisation as an integral business strategy by increasing the use of various digital solutions, both to improve our business operations and to engage with our customers and partners.

Our business partners are able to carry out various day-to-day interactions with us wholly online. Our full-featured sales planning and e-submission application enables our agents to submit proposals electronically, while our e-collection module will allow them to make payments online. This gives them the benefit of increasing their efficiency and productivity. Time saved from reducing the travel time to submit physical policies, and from the sorting of documents is put to serving our customers. An additional benefit is we are taking better care of the environment, as we are also able to reduce paper usage.

Customers also benefit from a quicker claims process via the use of digital solutions. For simple motor claims below a set threshold, our panel workshop representatives only need to submit photos of the damaged vehicle without requiring the vehicle to be checked by loss adjusters, with the aim of approving claims within 48 hours from the date of submission of complete documents. With an average of 3,500 motor claims submitted each month, having an easy and efficient claims process is integral for us to provide fast and reliable service to our customers.

2014 also saw the launching of the Allianz Auto Assist app, which aims to provide hassle free roadside assistance. Users can instantly request for breakdown assistance via the app without having to call the service centre. Further, the app is able to accurately pick up the user's location automatically and gives frequent updates on the breakdown request.



Working with Reliable Partners

Our roadside assistance partner, Mondial Assistance, is key to our response in a vehicle breakdown situation. Our panel of workshops, however, is key to the subsequent repair service to our customers. Allianz has 253 panel repairers nationwide that are authorised to carry out motor claims repair for our motor policyholders. Having a panel of repairers means that we have a network of trusted partners across the country who are not only familiar with Allianz's policies, but must also comply to Allianz's service expectations. Panel workshops are required to adhere to specific performance indicators such as repair times for small claims as well as customer notification periods.

Asia Assistance Network Sdn Bhd ("Asia Assistance") has been our Life and Health Claims partner since 2001, supporting the hospital admissions and discharge services required by our policyholders. Allianz works together with Asia Assistance to continuously improve service delivery, for example by digitalising processes for more efficient information retrieval.

We have
253 PANEL
REPAIRERS
nationwide to serve our
motor policyholders



SUSTAINABILITY REPORT ECONOMIC

Increasing Communications

Allianz has also increased the use of digital media to engage with its customers and business partners. This is evident in the increase of notifications on policy-related matters or company events sent through SMS and emails.

Allianz has embraced social media since 2011 when the Allianz Malaysia Facebook page was first established. Within days of launching this page, more than 1,000 likes were received. In 2014, the number of fans increased to more than 132,000; making it one of the top three pages amongst the local insurers on social media. Through the Facebook page, we are able to share the latest news about Allianz and our products, and also engage our customers and fans through interactive contests and daily information bites. On-ground events are also held to increase engagement amongst customers and Facebook fans alike. In 2014, Allianz Malaysia hosted a World Cup viewing for its Facebook fans to watch the final World Cup match between Germany and Argentina, with other activities such as face painting and open play futsal organised for those who attended.

The Facebook page also plays an important role as a feedback instrument where both positive and negative comments are addressed. In 2014, we received 678 enquiries through Facebook, of which 47 were complaints that were received and resolved. We constantly monitor the page and, if a complaint is received, we will get in touch with the complainant within two working hours to try to resolve his/her concern.



Seeing the success of the Allianz Malaysia Facebook page, we are now in the process of helping our business partners set up their own Facebook pages. A pilot project was established by three Allianz operating entities in Asia, namely Malaysia, Indonesia and Thailand. 37 of our agents participated in this project. They were provided with the necessary tools and training on how to be heard, found and to socialise with customers and potential customers. We are proud that five of our agents were among the top 10 in Asia in terms of engagement on their Facebook page and we are certain that this is a step in the right direction in preparing for a digitalised world.



Preparing for Future Changes

In 2016, the general insurance market will be de-tariffed, affecting largely the motor and fire classes of insurance. Bank Negara Malaysia's proposed Life Insurance and Family Takaful framework, aimed at encouraging greater operational efficiency, innovation and a higher level of insurance penetration in Malaysia, is also likely to see further development in the year to come. Anticipating a more open and competitive market, we have already put in place a strategy to enhance our product offerings, strengthen our existing partnerships and improve our operational performance.

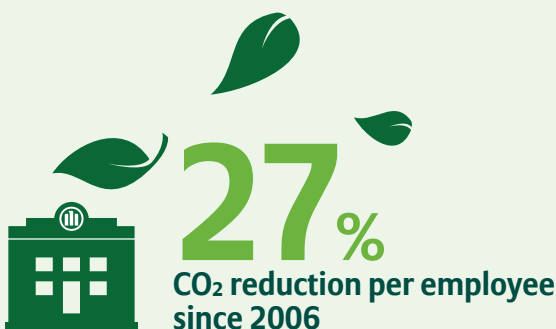
We also undertook an extensive review of the possible impact of the Goods and Service Tax ("GST") on our business and have taken steps to prepare for its implementation. Our employees, agents and business partners receive training on the impact of GST on our business, and operational changes have been made to accommodate the GST. It is also our responsibility to keep customers informed. Thus, our policyholders receive information on GST through different communication mediums so that they will understand how it will work and be fully prepared for its enforcement.

SUSTAINABILITY REPORT

ENVIRONMENT



Climate change poses a major threat to the world economy and has a direct impact on our business. We are working to reduce our carbon footprint by finding solutions to reduce our direct negative impact and by raising awareness on the risks and opportunities of climate change.



Globally, Allianz adopts a Climate Change Strategy that commits us to playing a leading role in supporting the development of a low-carbon economy. We also work to reduce our direct carbon footprint to mitigate the negative effects of climate change.

Global Climate Change Strategy

Allianz Group strives to be a thought - and action - leader on climate change. Globally, Allianz Group takes part in international climate negotiations, and engages in public dialogues and debates. Allianz Group is also active in major industry initiatives linked to climate change, such as the United Nations Environment Programme's Finance Initiative ("UNEP FI") Climate Change Working Group, Munich Climate Insurance Initiative ("MCII") and ClimateWise – a global insurance sector climate initiative. As a result, Allianz Group has built up global expertise on mitigating and adapting to climate change.

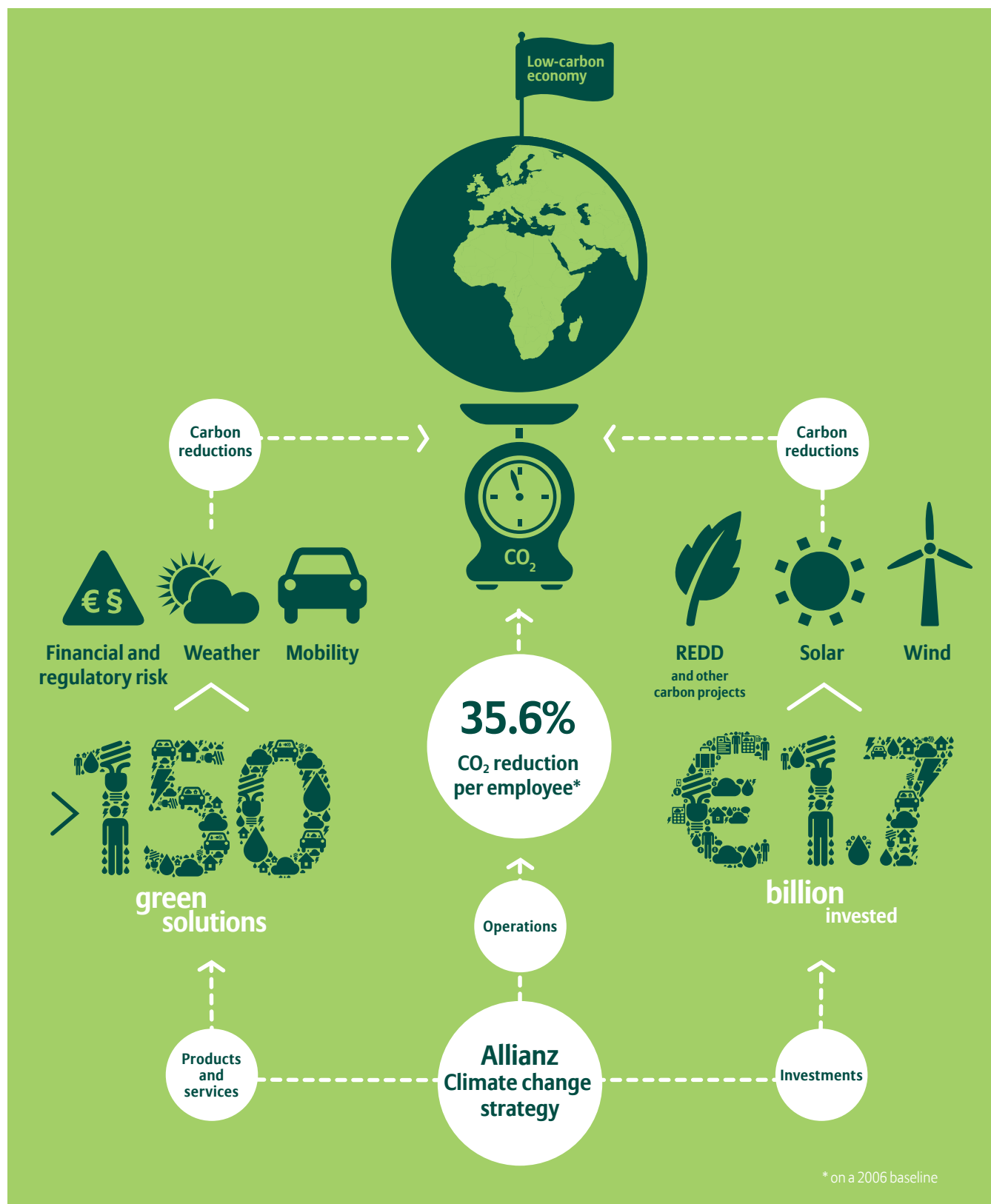
Allianz Climate Solutions ("ACS") was set up as a global centre of competence for climate change with a focus on renewable energy. ACS offers insurance services and advisory services on financing issues for renewable energy projects and is responsible for climate-related strategy development. We are guided by the ACS and can leverage the experience of other Allianz entities around the world in the development of products and solutions that address the issue of climate change.

Locally, we support the climate change strategy by avoiding or reducing carbon emissions and substituting resources with lower-carbon 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 promote the use of lower-carbon alternatives and the Global IT Sourcing and Procurement Policy advocates the use of energy-efficient IT hardware.

SUSTAINABILITY REPORT

ENVIRONMENT

Allianz Group Climate Change Performance Update



SUSTAINABILITY REPORT ENVIRONMENT

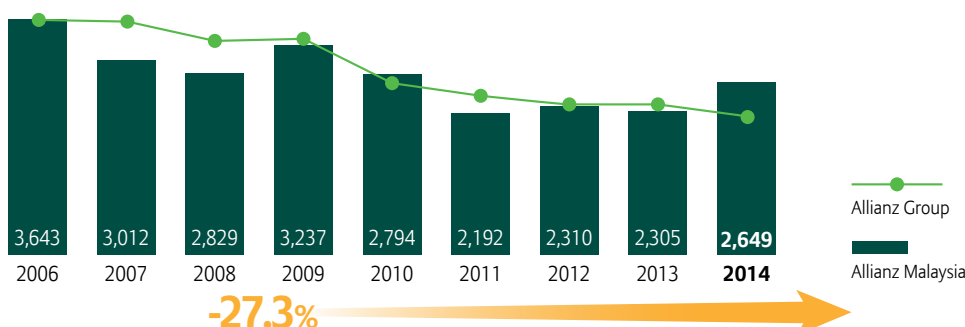
Environmental Management System

We are continually taking efforts to reduce our carbon footprint and, thanks to carbon investments made by the Allianz Group, have been a carbon-neutral business since 2012. Allianz Group also set a target to reduce 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.

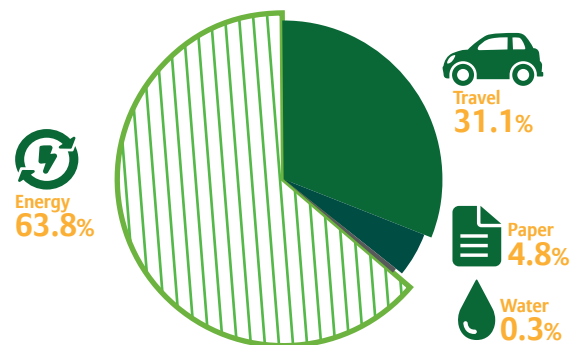
Given that energy usage is the largest contributor to our carbon footprint, Allianz Group has also set a specific energy target to support the overall carbon reduction target by 2015 - to reduce energy consumption per employee by 10% measured against a 2010 baseline. In Malaysia, since 2006, we have 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 to support systematic environmental data collection and control. In 2014, we saw a slight increase in our emissions to 2,649 kg per employee as compared to 2,305 kg per employee in 2013. This increase is attributed to improvements in the data collection process as a result of an audit on the EMS reporting methodology conducted in 2014.

The audit, by external auditors from KPMG and facilitated by Allianz Group's Environmental Officer, identified areas for improvement, particularly in the recording of travel and paper consumption data. We have expanded the scope of our data collection, as per KPMG's recommendation, to now include paper consumption from our outsourced print orders and to also capture more aspects of our business travel. Our overall emissions reduction since 2006 now stands at 27.3% per employee, and we continue our journey to reduce the carbon footprint of our operations.

Relative CO₂ Emissions (kg per employee) 2006-2014



Allocation of CO₂ Emissions in 2014



Preparing for Paperless

In this digital era, consumers are increasingly moving their dealings online and relying less on traditional paper solutions. Digital solutions have the double benefit of increasing efficiency due to the streamlining of various processes while also positively impacting efforts to reduce our paper usage.

Where possible, we replace physical documents with paperless options. For example, only soft copies of meeting papers are disseminated to our Board and Senior Management Team. We encourage our business partners to use our e-submission platform instead of the conventional method of submitting proposals. This reduces the amount of paper needed to process each case and also shortens the overall turnaround time since it eliminates the waiting time for delivery and scanning of physical forms as well as the time required for data entry.

SUSTAINABILITY REPORT ENVIRONMENT

We are continuously improving our efforts to digitalise the entire user experience and are thus developing an e-collection module that would allow our agents to manage the payment process without the use of cheques and with online statements instead of printed ones. While a number of our digitalisation efforts have focused on process improvements, in the coming years, customers can look forward to an improved digital customer experience. The issuance of policy documents on e-basis rather than manually will lead to cost savings, reduced paper consumption and increased efficiency.

Another initiative that helps us on our drive to reduce paper consumption is the use of email, SMS and web-based correspondence instead of physical notices and letters when contacting customers and agents. For example, customers and agents receive SMS notifications to inform them of the approval of their proposals or claims and to remind them when their premium is due. Through the use of digital messaging tools, we are also able to increase our interaction with our agency force. The availability of these digital communication channels allows us to connect meaningfully with our stakeholders.



Using New Technology

One clear example of adapting to new technology is the development of our new Allianz Auto Assist smartphone application. The app allows our policyholders to instantly request for breakdown assistance via the app without having to call the service centre. Further, the app is able to accurately pick up the user's location automatically using the phone's GPS and gives frequent updates on the breakdown request. Not only is this more efficient for the user, but being able to pinpoint the breakdown location enables the responder to minimise time and petrol wastage.

The Allianz Auto Assist app is only one of the many applications that Allianz has developed to achieve various objectives. The Life@70 app was developed to raise awareness on retirement; the Allianz Pacer mobile running app encourages healthy living through running; while the MyLifePlanning app is used as a financial planning tool. These mobile applications introduce innovative new ways to engage with our stakeholders and open up possibilities for interaction. The Allianz Malaysia Facebook Page, which was launched in 2011, gives users a digital platform to connect with us, serving as an important feedback instrument on top of our conventional channels. We are also working together with our agents to facilitate their transition onto Facebook, enabling them to make full use of this platform (→ Economic). These applications, which take advantage of technological tools, are a resource-efficient way for us to provide users with a range of solutions.

Internally, we encourage substituting emission sources with lower-carbon alternatives. The use of digital tools to conduct internal surveys amongst our employees is both easier to use and also allows for quick and simple analysis with minimal paper usage. Another digital solution that enables us to lower our carbon footprint is the use of videoconferencing and teleconferencing as alternatives to air travel to reduce emissions, cut costs and optimise time management.



SUSTAINABILITY REPORT ENVIRONMENT

Physical Modifications for Improvement

As part of our carbon reduction efforts, we have used climate-friendly options for necessary business equipment. For newly renovated office areas, where possible, we install energy efficient fixtures such as energy-saving lightbulbs and eco-friendly air conditioning. This is a continuous exercise, so that as existing fixtures become obsolete, they are replaced with more efficient ones. Energy efficiency is especially pertinent in light of our upcoming move to a new Head Office building in 2015. In anticipation of this, efforts have been taken to reduce wastage, and we aim to reuse a large proportion of the existing furniture.

Our Global IT Sourcing and Procurement Policy ensures that when sourcing for IT solutions, we prioritise energy efficiency. Our data centre is constantly enhanced to ensure that it maintains a good Power Usage Effectiveness ("PUE"), which is a measure of how efficiently a computer data centre uses energy. In our primary data centre, we continued to record a PUE below the global average of 1.7 in 2014, even though we are in a tropical country.

Personal Computer Donation Project

In 2014, a new initiative was introduced to offer our computers and laptops which were due for replacement up for donation instead of disposing them. The computers and laptops were still in good condition, and we believe that it is both more socially and environmentally beneficial to re-use them. So, instead of returning them to the leasing company, Allianz bought the 768 desktops and 15 laptops and donated them to schools and NGOs (→ Social).



Environmental Awareness for the Future

We know that our employees are key to the significant reduction of our carbon footprint. Apart from having facilities and infrastructure available to them, we also encourage our employees to adopt sustainable and environmentally-friendly habits. In 2014, a number of activities, such as a recycling day and internal environmental awareness initiatives were organised to create awareness of the importance of preserving the environment and also the significance of individual actions in affecting the environment.

In conjunction with World Environment Day, a nationwide paper collection drive was organised to encourage our employees to bring in old and unwanted papers for recycling. Our Head Office and 35 branch offices allocated one day for the collection, and from that day alone, we were able to collect 11,010 kg of paper. The 3R concept – to Reduce, Reuse and Recycle - was also highlighted during the campaign in an effort to instil this important habit. Throughout the year, from the recycling bins placed in our offices, we were able to recycle 3,461 kg of paper.



SUSTAINABILITY REPORT ENVIRONMENT

We also organised a number of initiatives to inculcate environmental consciousness in our employees, such as eco film screenings, eco workshops and an environmental poster competition. A team of our employees participated in the first ever Malaysian Environmental Non-Governmental Organisations ("MENGO") water hunt, the MENGO H₂O Hunt, which was designed to instil awareness on the importance of proper water conservation and management. We also sent a team of volunteers to participate in the General Insurance Association of Malaysia's tree planting initiative held in conjunction with General Insurance Day 2014. Ten of our employee volunteers were part of the team of 180 volunteers from various general insurance companies that planted 600 trees in the Raja Muda Forest Reserve that day.

An environmental poster competition for employees and their family members was held to raise awareness on the topics of energy, water and paper conservation.



Drawn by:
Sheak Fun Nyee, 13 years old

Environmental change is an emerging megatrend as evident from changing climate patterns and extreme weather events such as the East Coast Floods. Thus, we have chosen this as the topic of focus for our activities to be held in Malaysia in celebration of Allianz's 125th anniversary in 2015. Various activities and initiatives will be organised in 2015 to highlight the importance of the topic, particularly for our employees and business partners, with the hope of creating a community that is aware of and will act to reduce the impact of climate change.



SUSTAINABILITY REPORT

SOCIAL



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.



In 2014, over

RM3.8 million
was spent on training and development

Being a service provider, our performance hinges on our people. We believe that finding the right people, supporting their development through training, and building the right company culture will ultimately result in us providing the right solutions to our customers and business partners.

Managing Talent and Careers

Allianz aims to provide our employees with careers, not just jobs. We focus on attracting and retaining the right talent to take us into the future. Hence, our efforts in talent development and management ensure that we have proper succession planning in place and that our talent pool is diverse. Talents are identified based on their potential and consistent performance. They are assessed by our development centre to ascertain their learning and development gaps and a Personal Development Plan is then put together to provide structure and focus in their development to prepare them for the challenges of their current and future roles.

Learning and Development

In promoting a high performance culture, one of the key success factors is providing staff with structured learning and development programmes for their continued growth. To achieve this, the Allianz Academy, our learning and development platform, was launched in 2012 and has since rolled out a variety of programmes and courses for all levels of employees.

The Academy's programmes are based on the four learning pillars of Technical, Sales, Service and Leadership. Each pillar aims to equip employees with the skills and knowledge required for their current and future roles. Other learning activities offered are public speaking development through Allianz's Toastmasters' Club, lunch and learn sessions and health awareness talks.

In 2014, 96% of our employees attended at least one training session, with each employee attending an average of 4.6 days of training. The Company strongly promotes the 70/20/10 approach to learning and development, whereby 70% of learning happens on the job, 20% through coaching or mentoring by way of relevant exposure, and only 10% is learnt in a classroom or via formal education.

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As such, the Academy also aims to provide relevant job experiences and exposure outside the formal classroom setting. Our employees are encouraged to take advantage of our global network by attending training sessions, conferences and gaining international job experience at our various sister companies.

Allianz also supports the development of young persons through the hosting of internships both for local and international students. We see this as a win-win situation as the interns inject youthful energy and fresh ideas into the respective departments, while we in turn are able to support their growth and development. In 2014, 60 interns worked at Allianz, totalling 360 months of work experience.



Building a Service Culture

In conjunction with the second anniversary of the Allianz Academy, the Company set an experiential learning challenge for all its employees throughout Malaysia - to step into the shoes of customers in a quest to drive home the service message of Fast, Easy and Reliable. The challenge was held at the premise of our industry partner, KidZania Kuala Lumpur, in Mutiara Damansara. KidZania is the first indoor educational and entertainment centre in Malaysia that is scaled down to a child's size, with its own economy. By playing the roles of fire-fighters, pilots and cabin crew, journalists, fashion models, policemen and women, and hospital staff, amongst others, children get to learn about work, team-spirit, cooperation and perseverance in a fun way. Allianz took the opportunity to provide the same experience to its employees with the theme "In the Customer's Shoes".



The challenge saw our employees across the country split into four teams that competed over an 11-day period. Each team went through four missions in a two hour span which tested the participants' team-spirit, co-ordination, endurance, patience, empathy and creativity. Employees had to manage difficult and unexpected customer situations while delivering on our promise to provide Fast, Easy and Reliable service. The fun but competitive event saw a surge of energy and enthusiasm among the employees, which is expected to be translated at the workplace through our service delivery to internal and external customers.

The KidZania challenge is just one initiative taken to build a service culture amongst our employees. Apart from continuous training, especially for our frontline staff, we have also initiated the People Leadership and Service award, which regularly recognises outstanding performers throughout Allianz.

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Diversity

Here at Allianz, employment and development of employees are based on individual skills, talent, experience and the behavioural attributes of a person. We abide by the principle of non-discrimination at the workplace based on age, disability, gender, race, religion, political preference or sexual orientation, and aim to embrace diversity in the provision of employment and development opportunities.

In 2014, 68% of our total workforce consisted of women and, of our 524 managers, 57% were women. Allianz also has a relatively young workforce, with 74% of our employees between the ages of 25 to 44.



Allianz's commitment to diversity permeates throughout all levels of the organisation. The Board of Directors, in its effort to build and develop vernal talent, appointed Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz as an Independent Non-Executive Director in November 2014. Y.A.M. Tunku Zain Al-Abidin, with his background in, amongst others, the UK Houses of Parliament, the United Nations Development Programme, the Institute for Democracy and Economic Affairs ("IDEAS") as well as various educational and cultural organisations, brings with him a vast array of experience. His understanding of and commitment to socio-economic well-being and human development topics will contribute positively to Allianz's development in meeting the needs of a diverse market in a globalised environment.

Innovation Incubator

Allianz proactively seeks to foster the principle of diversity and inclusion. From 22-26 September 2014, we hosted the first ever Innovation Incubator Workshop in the Allianz world, with the aim of creating a viable business solution for a social issue. Our chosen topic was accessibility for Persons with Disabilities ("PWDs"). The workshop involved internal participants from various departments as well as external participants from Non-Governmental Organisations ("NGOs"), Jabatan Kebajikan Masyarakat ("JKM")

and Bank Negara Malaysia ("BNM"). Participants were from diverse backgrounds - varying ages, educational backgrounds, abilities, and professions.

As part of the workshop, participants had to collect information and experiences through engaging in activities such as teaching arts and crafts to a class of hearing impaired students; following and observing a van that transports wheelchair users; shadowing a visually impaired person on public transport; testing out life in a wheelchair and interviewing a job coach who helps PWDs gain employment and adjust to life in the workplace. Participants also got to experience dinner at Dialogue in the Dark where participants had to walk through different scenarios in total darkness to reach the dinner tables and finally eat in pitch blackness.



To find out more about Dialogue in the Dark, please visit www.did.my



"I congratulate Allianz for their ground-breaking effort to provide insurance products for PWDs and for their good practices in promoting an inclusive society for PWD."

Senator Bathmavathi Krishnan
Member of Parliament for Disability

SUSTAINABILITY REPORT

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After gaining personal insight into the issues PWDs face, the participants had to tackle the question: what could Allianz, in its capacity as an insurer, do to deal with the challenges observed? The teams presented their ideas to a jury panel consisting of Allianz CEO Zakri Khir; Allianz Asia Pacific Head of Human Resources Sabine Goesche; Allianz Deputy Head of Market Management Susan Ong; Member of Parliament for Disability Senator Bathmavathi Krishnan; Director of BNM's Financial Sector Development Encik Aznan Abdul Aziz and Puan Junaidah Mohd Said, Deputy Director of BNM's Financial Sector Development. As a result of the passionate presentations, Zakri Khir made three commitments to the assembled group:

- 1) To set up a team to look at how Allianz as a company views PWDs
- 2) To develop an insurance product for PWDs
- 3) To increase the number of PWDs in our workforce

Working groups have been set up to follow up on these commitments, with insurance products for PWDs set to be launched in mid-2015. Efforts are also being taken to make our facilities and buildings more disabled-friendly.

Not only was the workshop effective in highlighting the need for greater inclusion of PWDs in society, but the employees who took part were able to learn from their fellow participants and through the various activities. This is one way that we engage our employees beyond their daily routine, resulting in a unique learning experience for them and a potential societal and business solution.



In 2014,
our Employee
Engagement
Index
stood at

84%



The Employee Engagement Index is a key measure of employee satisfaction, loyalty, advocacy and pride

Employee Engagement

One of the key focus areas in Allianz is employee engagement. Engagement is defined as the extent to which employees are motivated to contribute to organisational success, and to apply discretionary effort to accomplishing tasks important to the achievement of organisational goals. From the annual Allianz Engagement Survey ("AES"), we derived the Employee Engagement Index, a key measure of employee satisfaction, loyalty, advocacy and pride in Allianz, which stood at 84% in 2014.

This could be attributed to the various opportunities for engagement open to our staff. Not only are there a variety of volunteering options available via our structured corporate volunteering programmes, but employees are also encouraged to share their knowledge, whether work-related or otherwise, with other colleagues through their involvement as in-house trainers.

93%

of employees are proud to say that they work for Allianz



94%

of employees see a clear link between their work and the Company's objectives



SUSTAINABILITY REPORT

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Open Communication

The AES serves as a barometer for our employees' sentiments, and is also an avenue for us to receive honest feedback about various factors that affect their level of engagement with us. In 2014, we had a 98% participation rate for the AES, an increase from the previous year.

Following the AES results, all Heads of Department and Branch Managers are required to share the survey results and feedback with their respective teams and to develop action plans to address issues to improve the engagement level in their own area. Emphasis is given to the post-survey follow-up actions to ensure that improvements in engagement are achieved.

Another avenue where employees are able to give their feedback is the quarterly Townhall Meetings held throughout the country. At these Townhall Meetings, employees are briefed on Allianz's latest results, goals, plans and strategies. Long-serving employees are also awarded and recognised during this meeting. A Question and Answer session with the Senior Management is held at the end of the session to further promote open communication and transparency.



In 2014, Allianz Malaysia employees had the privilege of meeting Michael Diekmann, CEO of Allianz Group, at a forum where he shared about himself as well as his experience at Allianz. At the forum, Diekmann also took questions from the floor, giving employees insight into his work ethics as well as goals and strategies for Allianz Group. Other Allianz Group officials who visited Malaysia were George Sartorel, CEO of Allianz Asia Pacific; Oliver Bäte, Member of the Board of Management of Allianz Group and the incoming Allianz Group CEO as successor to Diekmann; and Manuel Bauer, a member of the Board of Management of Allianz Group, responsible for Insurance Growth Markets. During Oliver Bäte's visit, he met with top management, senior managers, and several young employees – emphasising the importance of talent management and of

open dialogue across all levels of the organisation. George Sartorel and Manuel Bauer also met with key management associates and discussed succession planning and talent management with senior management officers. Open communication and access to decision-makers empowers employees to have influence over their own job.

Work/Life and Health Management

In 2013, one of the issues highlighted for improvement was work/life and health management within Allianz. We took this matter seriously and embarked on a series of initiatives to support a healthy, balanced lifestyle for our employees. Employees who are healthy and who actively balance their work life are more engaged and demonstrate better capability to perform their best. Tips on wellness at work are shared with employees regularly, and they are encouraged to undergo regular health screenings. We also provide gym membership benefits to our employees to enable them to build exercise into their daily routine. More than 160 employees attended a Health Day which was organised for employees in the Klang Valley. Free health checks were provided and health awareness discussions were conducted, with the objective of emphasising the importance of taking responsibility for our personal well-being.

Besides health management events, sporting and cultural activities such as futsal, badminton, tele-matches, yoga and salsa dancing were also organised for the benefit of employees. The allocation of a sports and recreation budget allows employees to arrange other activities as well. At Allianz's Head Office and Klang Valley branches, employees are able to participate in Weekly Running Clinics as part of the Allianz Pacer Running Community where we encourage everyone to run for better health. Our Alor Star and Miri branch offices started organising similar Running Clinics for their respective staff and agents with very encouraging attendance.



SUSTAINABILITY REPORT

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Allianz Sports in Zurich

Our commitment to a healthy and active lifestyle is not just local, but adopted on a global scale. Every four years, Allianz Group organises an international sporting event for the participation of its employees across the globe. In 2014, 1,000 athletes from around the world competed in 32 different disciplines during the three-day event held in Switzerland. After a two month local selection process, 11 athletes were selected to represent Malaysia, with our runners bringing home the Bronze medal for the 4x100 track and field discipline.

In the 2014 AES, we recorded an improved score for work/life and health management. We are committed to making Allianz the most reliable partner – both for our internal and external stakeholders.



A Safe Place to Work

The Organisational Safety and Health Act ("OSHA") Committee is present in our Head Office and at branch offices to ensure employees' health and safety at the workplace. The OSHA Committee is also responsible for organising Fire Fighting and Safety Training for our 180 Fire Wardens nationwide at least once a year to ensure that they are well-equipped with the knowledge and skills they need to perform their tasks should the need arise. Further to that, some of the Fire Wardens are part of the Maternity Emergency Assistance team, who are trained to assist pregnant or unwell colleagues during an emergency. Awareness training on OSHA and Business Continuity Management ("BCM") was organised for employees to familiarise them with the disaster recovery procedures. This forms part of the risk management practices we have in place to ensure a safe and conducive working environment.

Awarding Continued Service

At Allianz, we value a working relationship that is long-lasting and built on trust. In 2014, the average tenure of our employees was 8.6 years. We recognise the commitment of our staff through our Loyalty and Silver Jubilee Awards whereby employees receive a cash award upon reaching a consecutive period of 10 years' service and more. In 2014, 102 employees were rewarded for their long service in the company, ranging between 10 and 40 years. We continue to increase our efforts to make Allianz a great company for our staff – in the workplace and beyond.



Corporate Volunteering

Social engagement is a key part of our corporate responsibility. Through our focused activities, which leverage on our know-how, skills and experiences, we aim to bring benefits to local communities by addressing social challenges while, at the same time creating positive impact for our business.

Corporate volunteering provides an opportunity for us to give back to society and also helps to create awareness for societal issues among our internal stakeholders. Our volunteers are able to engage with their colleagues beyond the usual work routine and this enables them to build greater work relationships. In the last AES, 89% of our employees felt that there are sufficient opportunities to participate in social and environmental activities while 94% were satisfied with the actions we have taken to be socially and environmentally responsible.



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We continue to expand and improve our existing volunteering initiatives under Allianz4Good while embarking on new programmes and activities. Our 417 volunteers across the country are engaged in various activities as Road Safety Ambassadors and Finance Coaches, amongst others. Over 80 of our volunteers participated in two or more different types of initiatives. In 2014 alone, 3,053 business hours were dedicated to giving back to society.

Road Safety

Being one of the top motor insurers in Malaysia, Allianz has a clear responsibility for risk management and driver safety. Road safety is a pertinent issue across all levels of society. According to a 2013 report by the World Health Organisation ("WHO"), about 1.24 million people die each year on the world's roads and between 20 and 50 million sustain non-fatal injuries. Based on a 2013 report by the International Traffic Safety Data and Analysis Group ("IRTAD"), of the 35 countries that they have data on, Malaysia has some of the most dangerous roads in the world, recording 23.8 traffic deaths per 100,000 of the population.

We have been a strong advocate for road safety since beginning our partnership with Jabatan Keselamatan Jalan Raya ("JKIR") in 2011. This commitment was renewed in 2014 when we extended our partnership for another three years by signing a second Memorandum of Understanding ("MOU") with JKIR. Since first beginning our cooperation, we have conducted more than 100 campaigns reaching out to an estimated 82,600 road users.

We continue to improve our approach towards road safety by looking for new opportunities and developing initiatives that are relevant in addressing this issue. Our Road Safety Advocacy Campaigns, jointly organised with JKIR, are carried out regularly by our branch offices

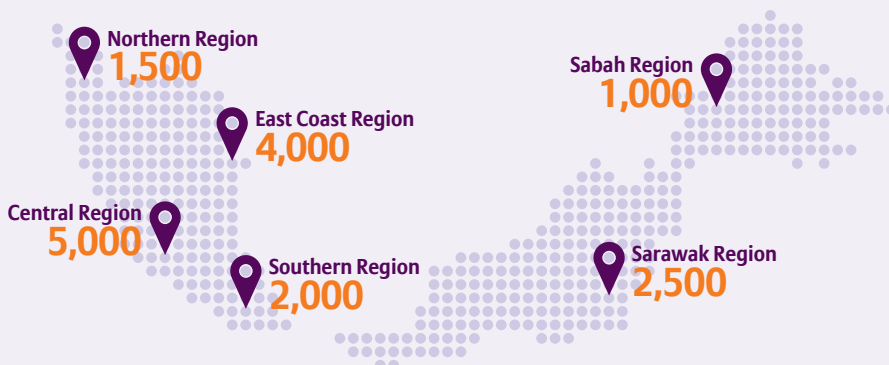
nationwide. During these campaigns, we engage our Road Safety Ambassadors - also recognised as 1M4RoadSafety volunteers - who have been trained by JKIR. They help to distribute road safety items and advocate safe road behaviour to the general public, with a focus on accident-prone areas, schools and during festive periods. In 2014, we reached approximately 15,600 road users via our 32 campaigns and initiatives held across the country.



"Allianz Malaysia has been actively contributing to and successfully organising road safety advocacy campaigns. The adult helmets, reflective stickers and reflective windbreakers as well as child seats provided by Allianz to the public during the road safety advocacy campaigns can create a big impact in awareness on road safety."

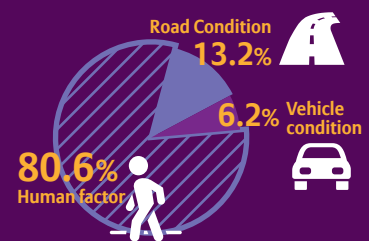
Dato' Dr Tam Weng Wah
Director of JKIR

Road Users Reached through Allianz Campaigns and Initiatives



385 Road Safety Ambassadors volunteered a total of 1,732 hours in 2014

According to JKIR's Road Safety Statistics Book 2014, the main causes of road accidents in Malaysia are:



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During our Road Safety Advocacy Campaigns, we distribute a number of safety items to encourage safer road behaviour.

5,430**Reflective Wristbands distributed**

Our reflective wristbands are distributed to pedestrians to increase their visibility in low light circumstances. We find that these wristbands are particularly useful for schoolchildren, who are likely to have to travel to school early in the morning; and runners, who may start their runs early in the morning or jog at night. The wristbands are also a fun way to encourage dressing brightly for visibility purposes.

400**Child Safety Booster Seats distributed**

Child Safety Booster Seats are given to motorists with children who are too short to use the regular car seatbelts but too tall for a child car seat. The Booster Seat acts to boost the child's height so that the seatbelt fits them comfortably and safely. According to the World Health Organisation, infant seats, child seats and booster seats can reduce child deaths by 54–80% in the event of a crash.

1,164**Motorcycle Helmets distributed**

At our Road Safety Advocacy Campaigns, we exchange old and/or unsafe motorcycle helmets for new, SIRIM-certified ones. According to the World Health Organisation, wearing a good quality helmet can reduce the risk of death from a road crash by 40% and the risk of severe injury by over 70%. Our exchanged helmets also come with advice from our Road Safety Ambassadors, explaining for example, the importance of helmet wearing and the average lifespan of a helmet.

13,000**Reflective Stickers distributed**

Reflective stickers made of visibility enhancing material are given to motorcyclists at our campaigns with the aim of enhancing their visibility in low light conditions, such as early in the morning or when riding at night. These seemingly unobtrusive stickers can have a great impact as they are able to reflect light up to 100 metres away. According to a Malaysian Institute of Road Safety ("MIROS") study, the conspicuousness factor was found to be the highest crash occurrence factor among motorcyclists, at 40%.

1,130**Reflective Windbreakers distributed**

Similar to the reflective stickers, our reflective windbreakers which are also given out to motorcyclists serve the purpose of increasing the visibility of a motorcyclist in low light conditions. Reflective strips located along the sleeves and torso section of the windbreaker aim to keep the motorcyclist visible when car headlights or streetlamps shine on him or her. It also has the added bonus of providing light protection against the sun and rain.

6,622**Road Safety Booklets distributed**

A new initiative in 2014 was the Road Safety Tips Booklet which was developed internally by Allianz in consultation with JKIR. It provides handy tips on road safety for children aged four to twelve years old. The booklet serves as a post-campaign reminder tool for students as well as a teaching tool for teachers and parents following our Road Safety Advocacy Campaigns in schools.

Allianz also developed a Road Safety Tips puzzle to complement the booklet, which will help teachers facilitate road safety lessons.

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Advocacy through Education

While the Road Safety Tips Booklet is a good tool for teaching children, adults require a different approach. A number of workshops were conducted in 2014 to cater to our employees, particularly those who are required to travel frequently for work purposes.

We continued to hold our regular Road Safety Ambassador trainings facilitated by JKJR, which taught participants road safety tips, guidelines on proper use of road safety equipment and highlighted common causes of road accidents. This was coupled with Emergency Response training, which equipped participants with basic first aid knowledge and safety measures if confronted with an accident. Since our first Road Safety Ambassador training in 2011, we now have 440 Road Safety Ambassadors across the country.



According to the WHO, drivers using a mobile phone are approximately **FOUR times more likely to be involved in a crash than when a driver does not use a phone. Hands-free phones are not much safer than hand-held phone sets.**

Source: World Health Organisation Fact Sheet No 358, March 2013

Defensive Riding & Bikers Emergency Workshop

We also organised a Defensive Riding and Bikers Emergency Workshop for our despatch riders. 21 riders attended the workshop facilitated by the Road Safety Marshal Club. The workshop was split into two sessions. During the in-class training, participants learned how to fasten cervical collars on accident victims; perform cardio-pulmonary resuscitation ("CPR"); and the proper way of lifting accident victims using a stretcher and spine board. Participants also had the opportunity to learn how to safely ride a motorcycle across a bridge 6 inches wide, and to effectively manoeuvre a motorcycle during the practical training.



Road Survival Programme

Apart from just addressing our employees, we also spread awareness on road safety and survival skills to our business partners. Knowing what to do to stay alive will improve a person's odds of survival in a life-threatening situation where every second counts. Allianz organised a Road Survival Programme, conducted by Capt. K. Balasupramaniam, a safety activist and emergency survival trainer, which was attended by 93 employees and agents. The programme covered topics such as emergency response in a road traffic accident, how to escape if trapped in a vehicle, basic first aid, common road accident scams, breakdown safety and accident prevention tips, amongst others.

Formula One™ ("F1™") Street Soccer Social Media Contest

We have also taken efforts to develop innovative ways to engage the general public. In conjunction with the 2014 World Cup, we rolled out the F1™ Road Safety Soccer Street Contest via Allianz Malaysia's Facebook page. Fans of the page were required to watch a video clip that was posted, answer a question - "What is Nico Rosberg's advice to drivers?", and share the 1 Thing That Matters to them on Road Safety. This contest leveraged on our F1™ sponsorship platform, where popular icons such as Nico Rosberg and Lewis Hamilton helped to spread road safety messages through a series of videos.

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Community and Personal Safety

Allianz promotes safety in various forms. Extending our scope beyond road safety, Allianz also emphasises personal safety.

We continued to create awareness on crime prevention and survival skills through the REACT Programme, conducted by Capt. K. Balasupramaniam. In 2014, a total of ten REACT Programmes were held for employees, agents, business partners and customers at our branch offices. In addition, a session was extended to the Persatuan Taman Bukit Maluri Kepong Kuala Lumpur (Taman Bukit Maluri Resident's Association) following their request after reading about our efforts in this topic.

In addition to the REACT programmes, we also organised hands-on workshops for our employees to equip them with basic self-defence skills. A professional trainer was engaged to conduct these workshops, which were intended to equip our employees with not just theoretical but also practical crime prevention skills.

2014 saw us supporting the Women's Street Crime and Awareness Campaign for a second year. This public event, organised by the Road Safety Marshal Club, aimed to raise crime awareness through the twelve booths highlighting survival techniques such as how to escape from a car booth, how to fall safely in case your handbag is snatched and how to use a pepper spray, amongst others. We also sponsored Community Care Kits containing security and first aid items, which were distributed to ten Residential Associations in the Klang Valley during the event.



We distributed 8,500 Emergency Data Cards in 2014. The data card is useful in the event of an emergency, allowing rescuers instant access to medical information for emergency rescue response. Emergency contact person(s) can also be contacted immediately.

Allianz also sponsored the installation of 30 signboards listing emergency contact numbers at thirty locations in Jelevu, Negeri Sembilan. These signboards aim to provide the local community with important contact numbers, such as those of the local police station, district office, district hospital and fire department. This is to provide them easy access to these numbers to call for help in case any untoward incident occurs.

Ultimately, we aim to create a community that has the knowledge and skills necessary to keep them safe from various risks they may face. We believe that we can be a trusted partner for preparedness and protection via our insurance solutions and our community engagement initiatives.



Supporting Emergency Response

A new sponsorship initiative by Allianz in 2014 is the contribution of funds towards the purchase of a new ambulance by the Malaysian Volunteer Fire & Rescue Association ("MVFRA"). The MVFRA is a non-profitable and non-governmental search and rescue team that responds to major disaster rescue missions locally and internationally. It also provides 24 hour emergency response for road traffic accidents and domestic emergencies. Allianz, along with other corporate companies, sponsored an ambulance for MVFRA to carry out its emergency rescue missions.



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In conjunction with Malaysia Day, we also organised a nationwide Blood Donation Drive and Organ Donation Pledge at nine locations from 16 to 25 September 2014. The events, held in Kuala Lumpur, Johor Bahru, Penang, Ipoh, Alor Setar, Malacca, Kuala Terengganu, Sibul and Sarikei, were in coordination with the National Blood Bank, National Transplant Resource Centre and participating hospitals in the respective states. Throughout the events, 492 employees, agents and members of the public donated a pint of blood each while 163 persons pledged their organs. While not on the forefront of emergency response, contributing to the national blood and organ bank serves as a form of social insurance, whereby our concerted effort to create reserves now can help to ensure that there is sufficient supply in moments of need.

Supporting Schools and Organisations

In today's world, we understand the importance of a computer as a key tool in improving administrative efficiency and also the necessity of building computer literacy in all segments of society. We are also aware that many schools and NGOs are in need of a functional computer for administration or education purposes. With this in mind and also in our effort to preserve the environment, we initiated a Personal Computer Donation Project. Under this project, computers and laptops which were due for replacement by Allianz were offered to schools and NGOs, as we believe that it is both socially and environmentally beneficial to re-use these computers and laptops.

After a wipe-out exercise, a total of 768 desktops and 15 laptops were available for distribution to identified schools and NGOs. All identified NGOs had to undergo the Integrity Check for Non-Profit/Non-Governmental Organisations (→ Governance) while the schools had to complete a form indicating the number of desktops and laptops requested and purpose of usage. In 2014, a total of 56 schools and 21 NGOs received 703 desktops and laptops, with the remainder scheduled for distribution in 2015.



My Finance Coach ("MFC")

Our other intervention focused on schools is the My Finance Coach ("MFC") programme which was first implemented in Malaysia in 2012. MFC aims to improve general financial literacy among children and young people and to prevent them from falling into debt. 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. MFC is currently present in eleven countries, a truly international programme.



Find out more about the global My Finance Coach programme at <http://en.myfinancecoach.org/>

MFC relies on employee volunteers who are trained as Finance Coaches that enter into schools and non-profit organisations to coach on financial matters using the MFC materials. The methodology and materials are developed under the guidance of education and economics experts in Germany, then localised and translated for the Malaysian context. Some of the modules are localised with the support of Dr. Mohamad Fazli Sabri of Universiti Putra Malaysia, who has experience in consumer and financial education.

	2012	2013	2014
Number of Students reached	560	2,027	2,041
Number of Coaches trained (cumulative)	100	182	239
Number of Volunteering Hours (approximate)	408	680	744

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Since inception up to 2014, MFC Malaysia has reached 4,628 students through 118 classes with 47 schools and NGOs as well as Allianz agents' and employees' children. Three of these schools are those allocated to Allianz under BNM's School Adoption Programme. For the second year in a row, we supported the National Consumer Day competition organised by the Federation of Malaysian Consumer Associations ("FOMCA"). Through this partnership, MFC was rolled out in 15 schools nationwide during FOMCA's school outreach programme in conjunction with the competition.

Before teaching, all 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. As at 2014, 285 of our employees signed up for the programme and 175 have taught a class.

In an effort to continually improve and expand MFC in Malaysia, two new modules were developed and implemented in 2014. The first, 'Introduction: History of Money and Security Features of Ringgit', is an interactive module that teaches students about how the concept of money developed from barter trading, and incorporates an activity where students are required to examine Ringgit notes to determine the security features embedded within.

This module was developed in response to feedback received from students about their curiosity to know more about money in general. Thus, MFC Malaysia, in consultation with BNM's Currency Department, rolled out lessons on the security features of money and general education about the Malaysian Ringgit to students. Classes were jointly conducted, with BNM's Currency Department also advising and supporting MFC Malaysia in developing a module that can be run independently.



The second module that was localised and translated was the 'Savings' module which caters to older students. This module, based on one of the same name from the MFC Foundation, was localised with the support of Dr. Mohamad Fazli Sabri. The module introduces students to investment products such as bonds, shares, fixed deposit accounts, basic savings accounts and investment funds. It also aims to teach students the importance of investing due to the impact of inflation, but to be wary that there is no one perfect financial product and that an investor should choose carefully to find one that suits his/her needs.

To leverage on its international network, MFC Malaysia sent three Finance Coaches to Indonesia to learn from MFC Indonesia, which was the first country to implement MFC outside Germany. The Finance Coaches had the opportunity to learn about how MFC is implemented there and also to partner with an Indonesian Finance Coach to teach in a local school there.



"Having Finance Coaches experience a different environment and situation will boost their confidence level, build their ability to better manage students and give more real life examples during coaching."

Azleena Abdul Kadir
Finance Coach

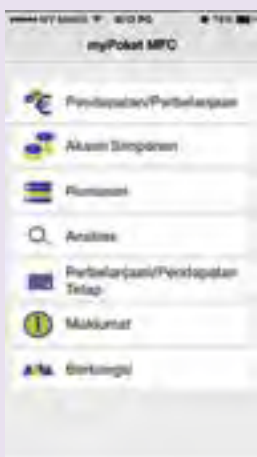
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Since 2013, Allianz has supported Child and Youth Finance International (“CYFI”)’s Global Money Week (“GMW”), which is an annual celebration to raise awareness on the need for financial education and inclusion for young people. Activities included an MFC class for our employees’ children and educational visits to the BNM Museum & Art Gallery and Bursa Malaysia for two of Allianz’s adopted schools under BNM’s School Adoption Programme as well as the non-profit Yayasan Chow Kit. A specially-designed Savings Planner Sheet was also sent out to our employees at the start of GMW, which they were encouraged to share with their children. In 2014, GMW engaged over 2 million children from 117 countries.

At the end of 2014, Allianz also sponsored the CYFI Regional Focus Group Meeting and Workshop Series for Asia and the Pacific, the first and only dedicated meeting at the regional level that deep dives into the issues, challenges, and opportunities that tackle child and youth economic citizenship. The meeting and workshop served as a concrete platform for representatives from diverse levels and sectors to share, network, innovate and connect and to then transform the regional conclusions to national actions.

Most recently, MFC Malaysia translated and localised the “MFC Geld Manager”, a money management mobile application which was developed by the MFC Foundation in 2013. The app aims to encourage users to track their income and expenditure by offering an easy way of recording each time they spend or receive money. Users can categorise their transactions and set aside amounts to deposit into their savings account. At the end of each month, the app will analyse the user’s spending records and show what the largest spending categories are.



The free app can be downloaded on Google Play store or App Store by searching for ‘My Finance Coach - myPoket MFC’.

Increasing Financial Awareness of the Public

Apart from supporting the inculcation of financial literacy amongst young people via the MFC programme, we also work to increase financial awareness in our community. From time to time, Allianz invites industry experts from its global network to build awareness and disseminate information on their findings amongst members of the public. In 2014, we invited economic expert and Allianz Group’s Chief Economist, Dr. Michael Heise, to present an outlook of the global economy, emerging markets as well as the Malaysian economy. During his brief visit, he was interviewed by business radio station BFM, spoke to media representatives, and also had an open discussion and dialogue session with members of the Malaysian Economic Association. Dr. Maximilian Zimmerer, Member of the Board of Management of Allianz Group, and Dr. Renate Finke, Senior Economist in the International Pensions unit at Allianz Asset Management AG in Munich, also visited us in 2014. Dr. Zimmerer spoke to the media about the economic environment and how it affected Allianz’s investment choices, while Dr. Finke presented the findings of her research on trends in the global retirement market and how different age groups prepare for retirement (→ Economic).

Our local experts also regularly share their knowledge on various topics, including insurance awareness, investment, the importance of insurance coverage, and the precautions that can be taken to safeguard their possessions. We believe an often overlooked aspect of financial knowledge is not only to be prepared for financial risks, but also to know what options are available and how to access them in case these risks are realised.



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Community Sponsorships

Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI") is a charitable organisation that was set up to provide door-to-door transport for wheelchair users within the Klang Valley. Vans that are specially modified with hydraulic lifts and wheelchair restraint systems enable passengers to travel comfortably around the Klang Valley for a minimal fee. Allianz has supported MOBILITI since 2006, currently sponsoring four of the five vans in their fleet. Our sponsorship covers MOBILITI's operational costs, which include fuel, toll, maintenance and salaries. We also provide free Motor Insurance and Driver and Passenger Personal Accident insurance for the four sponsored vans. With our support, MOBILITI was able to make 11,808 trips during their financial year ended June 2014, and is a valuable service for over 1,400 registered passengers.

"On behalf of Persatuan Mobiliti and the Users, I thank the Management of Allianz Malaysia for their trust on our social work for the Community services of the People with Disabilities particularly the wheelchair users who are unable to get transport to their destination."

Wong Nam Sang
President of MOBILITI



Persatuan
-M-O-B-I-L-I-T-I-
Selangor & Kuala Lumpur

To find out more about
MOBILITI, please visit
www.mobiliti.org.my

In December 2014, Allianz sponsored the Community Service Centre for the Deaf ("CSCD") a return air ticket for the caretaker of the children and other necessary items for the CSCD children's travel to a week-long Al Amal Camp held in the United Arab Emirates. The camp was organised by the Sharjah City for Humanitarian Services under the patronage of His Highness Sheikh Dr. Sultan Bin Mohammad Al Qasimi with the aim of providing children with disabilities an opportunity to forge new friendships, broaden their horizons and develop greater confidence levels. We also sponsored 150 units each of our reflective wristbands and Road Safety Tips Booklets for distribution to all the participants of the camp. The sponsorship was complemented with Allianz Travel Care Insurance for the CSCD participants.



KidZania

Allianz Malaysia first sponsored KidZania, the educational theme park for children in 2012. KidZania offers a great opportunity for children to experience different life scenarios in a fun, interactive and informative environment. At the Allianz establishment in KidZania, children are introduced to insurance through role play as an insurance agent, where they learn about the importance of having insurance protection. The children will go through a scenario where in order to drive a KidZania car, they are required to purchase motor insurance first. KidZania Supervisors are on hand to explain why this is necessary. In 2014, more than 45,000 children learnt about insurance at the Allianz establishment in KidZania.

Allianz also leveraged the KidZania sponsorship for the benefit of underprivileged children. During the year, Allianz brought a total of 103 children and eleven accompanying employees from three NGOs to KidZania on a learning expedition. The participating NGOs were Yayasan Chow Kit, Shelter Home and Asrama Darul Falah. The children were able to experience various occupations during their visit, which we hope will support their educational development.



KidZania
Kuala Lumpur

Find out more about
KidZania Kuala Lumpur at
www.kidzania.com.my

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Allianz Junior Football Camp

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

In 2014, Allianz successfully connected with more than 2,600 teenagers, of which close to 700 attended the AJFC selection held in Shah Alam, Selangor. Three outstanding teenagers who are passionate about football were chosen for a once-in-a-lifetime opportunity to meet FC Bayern Munich footballers, train at the FC Bayern Munich Youth Academy under the guidance of FC Bayern Munich youth coaches and to make new friends from around the world. The trip also included a visit to the FC Bayern Museum, sightseeing around Munich and intercultural exchange amongst the teenagers. Nine other teenagers were selected to attend the AJFC Bali Camp in Indonesia where they also had the opportunity to train under FC Bayern Munich youth coaches and to meet their peers from participating countries in Asia.

The AJFC aims to reach out to teenagers through the 1 sport that matters to them - football. The AJFC was created with two objectives in mind - to support aspiring footballers to grow, pursue their passion and achieve their dreams in football, and to promote healthy living through sport. With the number of participants increasing steadily every year since its Malaysian launch in 2012, we are positive that we are contributing to the grassroots development of sports in Malaysia.



"I had the opportunity to meet the Bayern Munich players such as Dante and Schweinsteiger in person and saw them train. I also met new friends from 28 countries around the world. It was indeed a new experience and exposure for me."

Muhammad Adam
AJFC 2014 participant

Allianz Pacer Running Community

Our other flagship initiative in support of healthy living is the Allianz Pacer Running Community, which was launched in October 2013. The running community was formed to encourage members of the public to start running for a healthier lifestyle. The Allianz Pacer is based on social media platforms to reach out to Malaysians— via the Allianz Pacer Facebook page and a mobile running app.

Currently, there are more than 21,000 fans on the Allianz Pacer Facebook page. The page dedicates itself to posting running events, health and running tips as well as contests to instil interest in running for better health. The Allianz Pacer mobile running app was created to assist runners in tracking their performance while running. It displays data such as distance, pace, time and calories burnt. It can also track the running route based on a GPS location system.

In addition to social media engagements, the Allianz Pacer Running Community also organises on-ground events for external and internal stakeholders. Allianz Pacer organised three Fun Runs to encourage running participation. The first Fun Run, "Let's Run Together", attracted about 200 participants and was held in Port Dickson, along a picturesque beachside route. The second Fun Run, "A Dash of Colour", had more than 1,300 participants while the third Fun Run, the "Allianz Pacer #Runfie", saw 1,000 people taking part. The "Allianz Pacer #Runfie" had an element of social responsibility where half the registration fees, amounting to RM15,000, was contributed to the National Cancer Society of Malaysia to help fund their work. On the Run day, the National Cancer Society of Malaysia had a booth at the event to create awareness on cancer and the importance of early detection.

Allianz was also the title sponsor of the Allianz Pacesetters 4x3km relay 2014. Under the Kiwanis Corporate Charity Challenge, a minimum donation of RM 1,000 is required by each participating team and 100% of donations received were channelled to the Kiwanis Down Syndrome Foundation – National Centre, which is committed to the welfare of children with Down's syndrome. A total of RM 55,600 was donated to the Centre. All the Fun Runs were organised with a unique theme in order to spread the appeal of running to a larger audience.

As for internal activation, throughout the year, the Allianz Pacer Running Community has been organising Weekly Running Clinics for employees from the Head Office and Klang Valley branches to promote running for a healthier lifestyle. Our branch offices, Alor

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Star and Miri specifically, are now also organising their own running clinics. To encourage more staff to participate, the Allianz Pacer Running Community introduced the Loyalty Reward Programme. Those who join the running clinics will be able to redeem various Allianz Pacer merchandise based on the number of running clinic sessions they have attended.



To find out more about the Allianz Pacer Running Community, please visit www.facebook.com/AllianzPacer

Apart from encouraging running as a way to maintain and improve health, we also actively promote regular health checks among staff and the general public. Internally, our employees are reminded to undergo periodic health checks that are borne by Allianz. Externally, Allianz embarked on a year-long partnership with the National Kidney Foundation to offer free health checks to members of the public in 36 locations nationwide. The health checks included Body Mass Index ("BMI"), blood pressure, urine and blood glucose tests as well as health counselling. An estimated 2,700 people were able to benefit from these free health checks.

In conjunction with the launch of our Allianz Booster Care product, we specially modified four Allianz-branded trucks which made their way to 100 of our agency offices throughout Peninsular Malaysia. At each location, the trucks offered free BMI health checks and health awareness activities, and at the same time raised awareness on Allianz Booster Care as a means of preparing financially for unexpected health problems. In just a month, more than 9,700 people registered for various activities conducted at the trucks and many more benefited from the health information shared.



Corporate Giving

In January 2014, Allianz Malaysia handed over RM77,910 to the Malaysian Red Crescent Society to support relief and rehabilitation projects for survivors of typhoon "Haiyan", which hit the Philippines at the end of 2013. This sum was collected during a fund-raising initiative amongst our Directors, employees, customers, agents and business partners, which was then matched and topped up by Allianz.

Partners with Charity at Heart

Beyond the events organised under our structured corporate responsibility programme, we are also part of an extended family of responsible corporate citizens. In 2014, our life agency force initiated and organised its first Allianz Charity Day nationwide. 800 agents from 89 different agencies across Malaysia were part of this initiative where each agency selected a home or activity to celebrate the day with. Among the activities carried out were donations to the homes, a blood donation drive and activities with residents of the homes. Our Life Agency has committed to assign one day in each year as Allianz Charity Day, for the life agency force to carry out charity related activities.

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East Coast Flood Response

At the end of 2014 and the beginning of 2015, Malaysia experienced one of the worst flood situations in recent history. Understanding the difficulties faced by flood survivors, Allianz took a number of measures to ease their burdens.

We issued a press release raising awareness on claims procedures specifically pertaining to floods, so that those affected would know what to look out for on their policies to determine their coverage and what records they should take to assist the claims process. Besides that, we also expedited the claims process for affected customers and employees and embarked on a number of humanitarian aid projects.



Support for the Malaysian Volunteer Fire and Rescue Association ("MVFRA")

Two collection drives for necessities such as food, clothes and sanitary items were carried out amongst employees and agents to collect relief items for people in flood-affected areas. Allianz supplemented this by making a cash contribution for the purchase of urgently requested items. The collected and purchased items were given to the MVFRA who then distributed them to affected communities in Kemaman, Pengkalan Chepa, Manek Urai, Ipoh, Gua Musang, Kuala Betis, Temerloh and Maran. Subsequently, Allianz made a second cash distribution to support MVFRA's flood relief efforts in Beaufort.

Clean-up Mission in Tanah Merah, Kelantan

Allianz employees, agents, friends and family members from different parts of the country volunteered to clean up a flood-affected school in Tanah Merah, Kelantan. SK Tebing Tinggi was identified by Ops Harapan - a community initiative by passionate individuals to unite Malaysians in providing flood aid to the East Coast of Peninsula Malaysia - as one of the worst hit schools in the area, having had its entire ground floor flooded. Our 43 volunteers, some travelling to Kelantan from Penang and Kuala Lumpur, worked tirelessly for 4 days to clear the worst of the mud and debris. This entailed the physical tasks of shovelling out water-soaked books, breaking down and carrying out unusable furniture and fittings, and pushing stagnant pools of mud out of the classrooms and drains.

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School Supplies for Flood-Affected Students

Apart from just helping to clean up SK Tebing Tinggi in Tanah Merah, Allianz contributed stationery sets, new uniforms and socks for distribution to its students. Stationery sets were given to eight other schools in Kelantan which were identified by our employees. They are SJK (C) Chung Hwa, SK Batu Jong, SK Bedal, SK Manek Urai, SK Kuala Nal, SRIK (T) Pasir Gajah, SK Sungai Embak and SK Temangan.

We also provided school uniforms and socks to the students of SK Bandar Temerloh and SK Tanjung Lalang in Temerloh, Pahang which were affected by the flood. The request to provide the school items came from our Allianz Temerloh branch office.

Collaboration with Cypark Resources Berhad ("Cypark")

Allianz collaborated with Cypark to transport solar powered lighting systems as well as solar powered water desalination and purification systems to districts in Kuala Krai, specifically Manek Urai Lama and Kuala Nal, to provide relief to these areas which saw their electricity and water supply infrastructure damaged by the floods. Allianz Malaysia bore the transportation costs; while Cypark provided the expertise to set up the equipment and also trained the relief centre coordinators on the use of the systems.

Operation for Orang Asli Community in Gua Musang

Allianz worked with a group of volunteers led by Siti Kasim, a prominent human rights lawyer, to assist communities in Gua Musang that, at that point in time, had been cut off from assistance for almost three months. As some of the Orang Asli villages were beyond reach by road, we also sponsored the cost of hiring a helicopter for two separate operations over a total of four days. Food, doctors, medical supplies and hygiene necessities were brought by land and by air to over 30 villages. Of the 40 tonnes of items delivered, over 8 tonnes were contributed by Allianz employees and agents through a collection drive organised by the company.



Our employees, agents, business partners, family and friends showed great compassion through their response during a time of need, and we are grateful to have this network of people as our greatest strength.

SUSTAINABILITY REPORT

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 to ensure that our business is conducted in a transparent manner with full accountability and integrity.



94% of employees feel that Allianz shows commitment to ethical business decision and conduct

We recognise the importance of sound internal controls in safeguarding our assets, our customers and our shareholders' investments. Various internal controls in the areas of risk management, finance, operations and compliance have been put in place to ensure that our actions today are taken with long-term value in mind.

Business Ethics

We understand that our employees and intermediaries are at the frontline of the Allianz brand and the avenue through which we provide our services. Through our policies, guidelines and codes of conduct, we hold each of our representatives to high ethical standards.

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

An Allianz Code of Ethics for Senior Financial Professionals is in place and applicable to our senior management and personnel responsible for our finance, control and accounting functions. This Code governs ethical and proper conduct of such personnel in both the private and professional spheres, particularly relating to the handling of conflicts of interest and corporate disclosure. Annually, our Directors and key responsible persons are required to declare their fulfilment of criteria under the Fit and Proper Policy and Procedures for Key Responsible Persons.

Anti-Money Laundering and Counter Financing of Terrorism ("AML/CFT") Policies and Procedures are in place to prevent and detect money laundering and terrorism financing activities. These include customer due diligence, screening against sanctions lists and suspicious transaction reporting. Throughout the year, AML/CFT training sessions were held for employees and agents to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.

SUSTAINABILITY REPORT

GOVERNANCE

Our life insurance and general insurance subsidiaries are members of the Life Insurance Association of Malaysia and the General Insurance Association of Malaysia respectively. Through both associations, we actively provide feedback on issues affecting the insurance industry. Employees of our insurance subsidiaries are required to adhere to the Codes of Ethics issued by the respective associations. Besides that, Bank Negara Malaysia ("BNM") issued guidelines on Prohibited Business Conduct which provides guidance on descriptions of prohibited business conduct as set out in Schedule 7 of the Financial Services Act and Islamic Financial Services Act. The guidelines reinforce existing standards on business conduct and consumer protection previously issued by BNM as well as by the insurance associations and Allianz.

Our insurance intermediaries are guided by the Sales Policy and Sales Agent Code of Conduct which are minimum standards to be observed by intermediaries acting on our behalf. We have established an Ethics and Compliance Committee in our life insurance and general insurance subsidiaries respectively to deal with intermediary behaviour that is contrary to the said Sales Policy and Sales Agent Code of Conduct.

As part of measures to improve uniformity in disciplining the agency force, we also formalised a Sales Compliance Disciplinary Policy detailing definitions of types of offences/misconducts and the associated recommended disciplinary actions.

Business Relationships

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

We adopted Allianz Group's Anti-Corruption and Anti-Fraud Policy, which serves to outline the Group's 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. In this respect, there is an established training programme for our employees and agents on Anti-Corruption and Anti-Fraud topics. Our commitment to this topic was again emphasised during International Fraud Awareness week, International Anti-Corruption Day and through a message from our CEO on Anti-Fraud and Anti-Corruption distributed to our employees, business partners and intermediaries.

The Group Data Management Framework ("DMF") is in place to establish and maintain a sound data management and management information system framework. The objective of the DMF is to manage data and disseminate information effectively and efficiently, and to maximise the effective use and value of data assets. The DMF aims to ensure the integrity of data assets by preventing unauthorised or inappropriate use of data and information. Clauses related to the DMF are incorporated into all our contracts as part of our standard practice. We also continually reinforce these topics amongst our employees through the implementation of compulsory awareness trainings as part of each employee's annual e-Declaration, the inclusion of relevant articles in our internal newsletters and additional training for employees deemed as high risk due to the nature of their work.

The Allianz Group's Gifts and Entertainment Policy ("GE 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. In February 2014, we also adopted the Allianz Group's Compliance Guidance relating to the Allianz Gifts and Entertainment Policy: Sponsoring & Hospitality ("SH Guidance"), which is an addition to the GE Policy. The SH Guidance focuses on "corporate hospitality" i.e. invitations extended to or by Allianz employees to ensure that the principles of transparency and accountability are observed.

Benchmarking against Local and International Standards

We are not only subject to the local laws, regulations and guidelines, but are also firm followers of international codes and standards. For example, in the field of property risk assessment, our 'risk experts', comprising of a pool of Risk Engineers, analyse the risks of a client from a property point of view, cross-checking the analysis against the respective local and international codes and/or standards, to see whether appropriate property conservation is in place and carried out accordingly. Besides the local Malaysian Standards ("MS") issued by the Jabatan Standard Malaysia, we also refer to International standards such as the FM Global Data sheets, the National Fire Protection Association, the Loss Prevention Council, British Standard, Munich Re as well as the Allianz Group Standard. Our constant revision of policies and guidelines across the business ensure that we are up to date with the latest global and local standards.

SUSTAINABILITY REPORT

GOVERNANCE

Investment with a Long-Term Perspective

Our investments are guided by the Allianz Group Investment Manual which sets out detailed investment procedures and controls, including an Investment Code of Ethics to ensure that Allianz's interests prevail over the personal interests of the employees. We also comply with Allianz Group's Environmental Social Corporate watch lists and the local restricted list including companies that are involved in sensitive areas, such as those dealing with controversial issues or which are subject to legal and ethical restrictions. Our investments are not only considered based on their financial sustainability but also on their long-term social and environmental sustainability.

A Secure Avenue for Reporting Irregularities

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

Working with Credible Organisations

The Vendor Integrity Screening ("VIS") process, which is a part of Allianz Group's Anti-Corruption Programme is aimed at ensuring an integrity-based due diligence before any third party vendor is engaged. The screening contains a self-assessment section which, amongst others, includes questions on anti-corruption and integrity to be answered by the potential vendor and a risk evaluation to be completed by the relevant department. Only those vendors whose screening does not reveal any negative findings will be engaged.

Similar to the VIS, the Allianz4Good Department applies an Integrity Check for Non-Profit/Non-Governmental Organisations to all potential partners from the social sector. This screening assesses the organisation as well as its key personnel to ensure that our exposure to financial and reputational risk is minimal. We work with reputable and reliable partners to ensure that our social commitments are on par with the high ethical and legal standards of our business dealings and that our programmes are delivered smoothly.

375
VENDORS have been
screened under
the Vendor Integrity
Screening process



Developing Products

We established a Product Development Management Framework in accordance with the requirements of the Guideline on Introduction of New Products for Insurance Company and Takaful Operators issued by BNM. This framework aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risks during the development and marketing stages. Having the Framework in place also ensures that the products we develop are appropriate to the needs, resources and financial capabilities of the targeted consumer segments, thus helping us to be an innovative company that provides access to finance through relevant products.

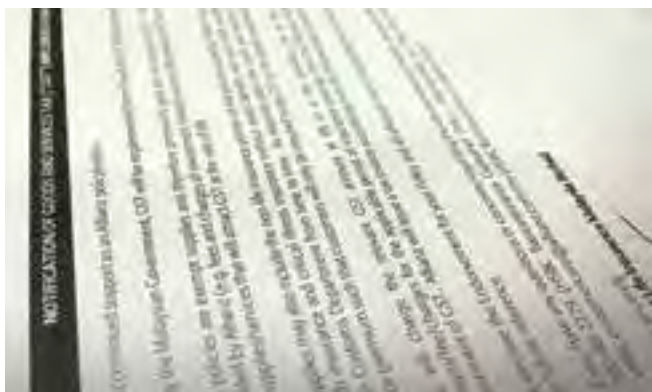
Preparing for Regulatory Changes

We have taken steps to prepare for and comply with a number of regulatory changes impacting the industry. For example, with the enforcement of the Personal Data Protection Act 2010 ("PDPA") from 15 November 2013, all internal processes, practices and policies pertaining to the collection, processing and storage of personal data are constantly monitored to ensure compliance with the PDPA. Additionally, with the adoption of the Allianz Standard for Data Protection and Privacy ("ASDP") in August 2014, steps are being taken to implement the Data Privacy Management System ("DPMS"), which is a requirement under the ASDP. The DPMS aims to ensure compliance with regulatory obligations pertaining to data privacy and securing the trust of customers and business partners in relation to the handling of personal data. We have also collaborated with other members of the industry to develop a collective draft Code of Privacy Practice for submission to the Personal Data Protection Commissioner.

SUSTAINABILITY REPORT GOVERNANCE

In light of the enforcement of Schedule 9 of the Financial Services Act 2013 ("FSA") on 1 January 2015, we have implemented changes to ensure that our documents and processes are in compliance. Schedule 9 of the FSA outlines the pre-contractual duty of disclosure and representations for contracts of insurance and thus our documents were enhanced to notify customers of their obligations in this respect and the impact if there was any misrepresentation by the customers. This process was guided by the Life Insurance Association of Malaysia and the General Insurance Association of Malaysia respectively.

We also undertook an extensive review of the possible impact of the Goods and Service Tax ("GST") on our business and have taken steps to prepare for its implementation since its announcement in 2013. Our employees, agents and business partners receive training on the impact of GST on our business, and operational changes have been made to accommodate the GST.



Ensuring Business Continuity

We have in place a comprehensive Business Continuity Plan ("BCP") to ensure that critical functions can be recovered and restored within a predetermined time upon the occurrence of any disastrous events. A dedicated Business Continuity Management ("BCM") team coordinates a BCP Exercise annually and testing of our Disaster Recovery Plan twice a year in compliance with BNM's Guideline. The objective of this is to test the readiness of disaster plans and business continuity procedures in a simulated environment. In addition to this, awareness training on Organisational Safety and Health and BCM was organised for all employees to familiarise them with the disaster recovery procedures. Having these procedures in place ensures that in a disaster situation, our employees will be equipped with the necessary skills and information to minimise disruption to our business and thus continue to serve our customers and partners.

Recognised for Good Governance

In recent years, we have taken steps to improve our transparency through the release of our Sustainability Report and further strengthening of our governance structure. We are honoured that our efforts have been recognised, as we were awarded the "Best Reporting within an Annual Report" by ACCA Malaysia's Sustainability Reporting Awards ("MaSRA") 2014. The awards, in their 11th cycle in 2014, were created to reward companies for excellence in environmental, social and sustainability reporting and provide a platform to recognise and celebrate organisations which report on their sustainability performance and impacts.

In 2014, we were also awarded third place in The Edge's Billion Ringgit Club Corporate Responsibility Award under the "Below RM10 billion market capitalisation" category for the year 2013. The award is judged by a panel of judges selected by The Edge, and evaluated based on four focal areas according to Bursa Malaysia's CSR Framework for Public Listed Companies, namely community, environment, marketplace and workplace. These awards represent a milestone in our continuing journey to sustainability and governance excellence.



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 92 to 133 of the Annual Report.

Customers

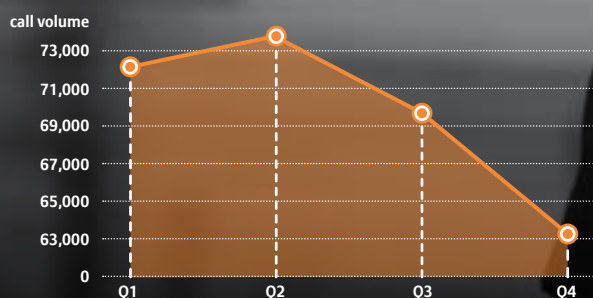
We help our customers take better care of their future by striving to deliver excellence in all our products, operations, processes and behaviours.



Scan here to watch a video on how Allianz cares for its customers.

TOTAL CALLS ADDRESSED IN 2014

CALL VOLUME



TOTAL ALLIANZ CUSTOMERS

2,770,266





NEW POLICIES SECURED IN 2014

ALLIANZ LIFE

124,858

ALLIANZ GENERAL

2,261,236

*As at 31 December 2014

ALLIANZ GLOBAL SERVES OVER

85 MILLION
CUSTOMERS*

(Source: https://www.allianz.com/v_1426595532000/media/investor_relations/en/results_reports/annual_report/ar2014/ar2014_group.pdf)

70 COUNTRIES*

(Source: https://www.allianz.com/en/about_us/index.html)



*As at 31 December 2014

AUDIT COMMITTEE REPORT

COMPOSITION OF AUDIT COMMITTEE

The Audit Committee ("AC") comprises of the following members:-

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

All members of the AC including the Chairman are Independent Non-Executive Directors. The composition of the AC fulfilled the requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities") and Bank Negara Malaysia ("BNM").

The Chairman of the AC, Mr. Foo San Kan, attained his 9 years of service as an Independent Non-Executive Director of the Company on 24 November 2014. Shareholders' approval was obtained at the last Annual General Meeting held on 25 June 2014 for him to continue to serve as an Independent Non-Executive Director of the Company until the conclusion of the forthcoming Annual General Meeting of the Company.

The performance evaluation of the AC as a whole and individual AC members for the financial year ended 31 December 2014 were carried out by the Nominating Committee in early 2015 and deliberated by the Nominating Committee and the Board. The Board and the Nominating Committee were satisfied with the assessment results of the AC and its members.

The Nominating Committee also assessed the independence of Mr. Foo San Kan and recommended to the Board for Mr. Foo San Kan to continue to act as an Independent Non-Executive Director of the Company, after serving for a cumulative term of more than 9 years, based on the justification set out in the Notice and Statement on Corporate Governance on page 11 and page 116 respectively of this Annual Report. The Board having reviewed the independent assessment of Mr. Foo San Kan, recommended the proposal for Mr. Foo San Kan to continue to act as an Independent Non-Executive Director of the Company for the shareholders' approval at the forthcoming Annual General Meeting of the Company.

TERMS OF REFERENCE

1. Composition

- 1.1 The AC should consist of a minimum of 3 members appointed from the Board of the Company and shall act as the AC for the Company and its subsidiaries ("Group").
- 1.2 The members of the AC should be appointed by the Board, after taking into consideration the recommendations of the Nominating Committee. In determining the appropriate size and composition of the AC, the Board should in particular, take into consideration the necessary mix of skills and experience required for the AC to effectively discharge its responsibilities. The term of office and performance of the AC and each of its members must be reviewed by the Board at least once every 3 years to determine whether the AC and members have carried out their duties in accordance with the terms of reference.
- 1.3 If for any reason the number of AC members at any point in time is reduced to below 3, notification should be provided to 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.

AUDIT COMMITTEE REPORT

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 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.

AUDIT COMMITTEE REPORT

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 Integrity 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 fulfill 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.

AUDIT COMMITTEE REPORT

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 and submit its recommendation to the Board for consideration.
- (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.

AUDIT COMMITTEE REPORT

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;

AUDIT COMMITTEE REPORT

- (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;

AUDIT COMMITTEE REPORT

- (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 72 of the Financial Services Act 2013 ("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;

AUDIT COMMITTEE REPORT

- 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 the findings and reports of whistleblowing and fraud cases from the Integrity Committee and approve the pertinent recommended action including the closure of the cases in respect thereto, if deem fit;
- (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 66 of the Act which requires an insurer to publish its financial statements from time to time subject to any standards specified by BNM;
- (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.

AUDIT COMMITTEE REPORT

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 review of the quarterly and annual financial statements prior to the same being submitted 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 2014. The meeting attendance of each member of the AC during the financial year ended 31 December 2014 was 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	4	80
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5	5	100

The Chief Executive Officers of the Company and its insurance subsidiaries, the Chief Financial Officer/Head of Finance of the Company and its insurance subsidiaries and the Head of Internal Audit Department ("IAD") are permanent invitees to the AC Meetings to facilitate the deliberation of the AC on matters within their purview.

The meetings of the AC are transparent, with all proceedings and actions being recorded and documented. The Chairman of the AC reports to the Boards of the Company and its insurance subsidiaries on matters deliberated during the AC Meetings which are relevant to the respective companies. The minutes of the AC, upon confirmation, are presented to the respective Boards for information.

AUDIT COMMITTEE REPORT

SUMMARY OF ACTIVITIES

The following were the summary of activities carried out by the AC during the financial year ended 31 December 2014:-

Internal Audit

- Reviewed the progress reports of the Group Internal Audit Plan 2014 ("2014 Plan") to ensure that the 2014 Plan is on track.
- Approved the Group 5-year (2015 – 2019) Internal Audit Plan, the scope and resource required.
- Reviewed various Internal Audit Reports covering core operations, non-core operations and IT and discussed the progress reports on various outstanding audit findings of the Company and its insurance subsidiaries. The AC noted that rectification measures were taken to address the audit concerns raised in the Internal Audit Reports. Nevertheless, it was revealed that the system of internal control over the audited areas including management oversight were adequate or with moderate shortcomings. Lapses/shortcomings reflected in the reports were deemed not significant or material and hence did not impact the effectiveness of the Group's overall internal control environment. Where appropriate, AC provided its opinions and directive to the respective Management to improve the existing processes and procedures based on the recommendations from the Internal Auditors.
- Reviewed the Independent Validation Reports for Perbadanan Insurans Deposit Malaysia ("PIDM") Differential Levy System ("DLS") Framework and Return on Calculation of Premiums ("RCP") ("Validation Reports") prepared by the Head of IAD for the Company's insurance subsidiaries and approved the Validation Reports.
- Reviewed the changes made to the Allianz SE Group Audit Policy version 4.0 to ensure it is in line with the local requirements and recommended the said changes to the respective Boards of the Group for adoption.
- Reviewed the results of the self assessment review of the IAD and noted that the overall performance of the IAD was rated Satisfactory. The AC was satisfied with the results of the self assessment review of the IAD.
- Reviewed the resource requirements of the IAD.
- Evaluated the performance of the former Chief Internal Auditor ("CIA").
- Reviewed and recommended for the approvals of the Nominating Committee and the Board, the appointment of a new Head of IAD following the appointment of the CIA as the Regional CIA for Asia Pacific.
- Noted the annual declaration of independency by the Head of IAD in respect of the internal audit activities carried out in year 2014.
- Held one private discussion with the former CIA and two private discussions with Head of IAD without the presence of the Management.

AUDIT COMMITTEE REPORT

External Auditors

- Reviewed with the External Auditors, the interim and final audit findings of the Group, the Management Letters issued by the External Auditors to the insurance subsidiaries and the Management responses to the audit findings, prior to presenting the same to the respective Boards of the Group.
- Reviewed the performance assessment of KPMG based on the criteria prescribed by the relevant authorities and concurred with the rating assigned. AC also reviewed and recommended for the approvals of the respective Boards of the Group, where applicable:-
 - (a) the re-appointment of KPMG as the External Auditors for the financial year 2014; and
 - (b) the re-appointment of KPMG to review the Statement on Risk Management and Internal Control ("SRMIC") of the Company for the financial year 2014.
- Reviewed and recommended for the approvals of the respective Boards of the Group, where applicable:-
 - (a) the respective audit fees for the financial year 2014;
 - (b) the interim audit fees for the review of the interim financial statements for the financial period ended 30 September 2014 ("Interim Report") of the Company and its insurance subsidiaries; and
 - (c) the fee for the professional services in relation to independent validation to PIDM in respect of DLS Quantitative Information and RCP of the Company's insurance subsidiaries ("Validation Program").
- Reviewed and recommended for the approvals of the respective Boards of the Group, where applicable, the KPMG's engagement letters in relation to:-
 - (a) re-appointment as External Auditors for the financial year 2014;
 - (b) review of SRMIC of the Company for the financial year 2014;
 - (c) review of Interim Report of the Company and its insurance subsidiaries;
 - (d) re-appointment as External Auditors for the Investment-Linked Funds for the financial year 2013 of the life insurance subsidiary; and
 - (e) issuance of Validation Program for the Company's insurance subsidiaries.
- Reviewed and endorsed the audit plan of the External Auditors for the Group for the financial year 2014, covering areas, inter-alia, audit methodology, audit timeline, audit materiality, preliminary risk assessment in the respective risk areas and the planned audit approach and significant audit issues.
- Noted the independence confirmation by KPMG, the engagement partners, engagement quality control reviewer and members of the engagement team.
- Held two private discussions with the External Auditors without the presence of the Management, to ensure that their independence is not compromised and any matters that may warrant the AC's attention.

AUDIT COMMITTEE REPORT

Financial Matters

- Reviewed and recommended for the approvals of the respective Boards of the Group, where applicable:-
 - (a) the Audited Financial Statements and Directors' Reports of the Group for the financial year ended 31 December 2013;
 - (b) the unaudited consolidated quarterly reports of the Group;
 - (c) the Audited Financial Statements for Investment-Linked Funds and the Investment-Linked Performance Reports to fund holders for the financial year 2013 of the life insurance subsidiary;
 - (d) the Interim Report of the Company and its insurance subsidiaries; and
 - (e) the unaudited interim financial statements for the half-year ended 30 June 2014 of the Company's insurance subsidiaries.
- Reviewed and recommended for the approvals of the respective Boards of the Group, where applicable:-
 - (a) the Management Representation Letters to the External Auditors in respect of the annual audits for the financial year 2013 of the Group; and
 - (b) the SRMIC and Management Representation Letter on SRMIC for the financial year 2013 of the Company.

Others

- Prepared and submitted to BNM, the annual AC Reports in respect of the internal control environments of the insurance subsidiaries for the financial year 2013 for submission to BNM.
- Reviewed and recommended for the approvals of the respective Boards of the Company's insurance subsidiaries, the respective Audited Reporting Forms and Actuarial Reports in relation to Risk-Based Capital Framework for the financial year 2013.
- 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 2013.
- Reviewed and recommended for the approvals of the respective Boards of the Company and its insurance subsidiaries, where applicable:-
 - (a) the new and existing (including any revision proposed) related party transactions ("RPTs") including recurrent RPTs ("RRPTs") which are not more favourable to related parties than those generally available to the public and are not to the detriment of the minority shareholders and the relevant announcement to Bursa Securities in relation thereto; and
 - (b) the disclosure of RRPTs' outstanding amount due from related parties, for inclusion in the Company's circular to shareholders in relation to RRPTs ("Circular").
- Reviewed the review procedures for RRPTs ("Review Procedures") to ensure that RRPTs are not more favourable to related parties than those generally available to the public and are not to the detriment of the minority shareholders.
- Reviewed and approved the AC Statement in respect of the Review Procedures for inclusion in the Circular. The AC was of the view that the Review Procedures are sufficient and the Group has in place adequate procedures and processes to monitor, track and identify RRPTs in a timely and orderly manner.

AUDIT COMMITTEE REPORT

Others (Continued)

- Reviewed and recommended for ratification by the respective Boards of the Company's insurance subsidiaries, the RPTs entered into by the insurance subsidiaries for the periods from 1 January 2013 to 31 December 2013 and from 1 January 2014 to 30 June 2014 which were not fall within the Company's shareholders mandate.
- Noted the BNM's 2013 supervisory review observation on the Company's insurance subsidiaries and deliberated the Management's responses and action plans to address concerns raised by BNM and its progress.
- Reviewed and approved the request from Allianz SE for an environmental audit conducted by KPMG AG on the Group.
- Reviewed and approved the request from Allianz SE Group Audit for a Regional Transversal Audit on Executive Compensation/ Travel and Entertainment audit on the Company and its insurance subsidiaries.
- Reviewed the new/updates of reported whistleblowing communications.
- Discussed and reviewed the findings and recommendations by the Integrity Committee on the reported fraud cases and new fraud cases discovered. AC noted that there were no fraud cases of material or significant impact detected during the year.
- Reviewed the results of the 2013 Anti-Corruption and Anti-Fraud Risk Assessment of the Company and its insurance subsidiaries and the associated action plans in place. AC noted that the overall risk ratings were low and very low for the Company and its insurance subsidiaries respectively.
- Reviewed and recommended for the approval of the respective Boards of the insurance subsidiaries, where applicable:-
 - (a) the general insurance Sales Compliance Disciplinary Policy;
 - (b) the amendments made to life insurance Sales Compliance Disciplinary Policy; and
 - (c) the revised life insurance AML/CFT Policies and Procedures.
- Discussed the updates from the regulator on issues related to AML/CFT of the life insurance subsidiary and the updates on the AML and CFT suspicious transaction reports, enhanced due diligence review and sanction screening review of the life insurance subsidiary.
- Reviewed and recommended for the approval of the Board of the life insurance subsidiary, the change of accounting treatment of asset.

AUDIT COMMITTEE REPORT

TRAINING

During the financial year ended 31 December 2014, AC members have attended various conferences, seminars and training programmes and the details of the conferences, seminars and training are reported under Statement of Corporate Governance in pages 92 to 128 of this Annual Report.

INTERNAL AUDIT FUNCTION

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

During the financial year ended 31 December 2014, the IAD carried out its duties in accordance with its Audit Charter. All internal audit reports which incorporated the Management's responses and action plans were tabled for discussion at the AC Meetings.

An annual audit plan is developed based on annual risk assessment and approved by the AC. A total of 47 internal audit assignments were carried out during the financial year ended 31 December 2014 according to the annual audit plan. A total of 42 internal audit reports generated during the financial year ended 31 December 2014 were reviewed and deliberated by the AC. There were no significant or material audits findings detected during the financial year ended 31 December 2014.

The audit scopes covers auditable areas encompassing financial operations—Finance and Accounts, Travel and Entertainment, Reinsurance—Treaty Arrangement, Product Development, Pricing operations, Operational process i.e. policy servicing, underwriting and claims at Head Office and Branches, Business Continuity Management, Risk Management, back office function such as Facility Management, Human Resource and Information Technology and Systems.

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

The total cost incurred by the IAD in discharging the internal audit functions of the Group for the financial year 2014 was RM2.7 million (2013: RM3.0 million).

More details on the internal audit function are set out in the Statement on Risk Management and Internal Control on page 130 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is fully committed in ensuring that the highest standards of corporate governance are practiced throughout Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") as a fundamental obligation of discharging their duties and responsibilities to deliver long-term sustainable value and protect the interests of the Group's shareholders and all other stakeholders.

The Group's corporate governance practices are formulated based on the requirements of the Prudential Framework of Corporate Governance for Insurers ("CG Framework") issued by Bank Negara Malaysia ("BNM"), the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the principles and recommendations of the Malaysian Code on Corporate Governance 2012 ("Code").

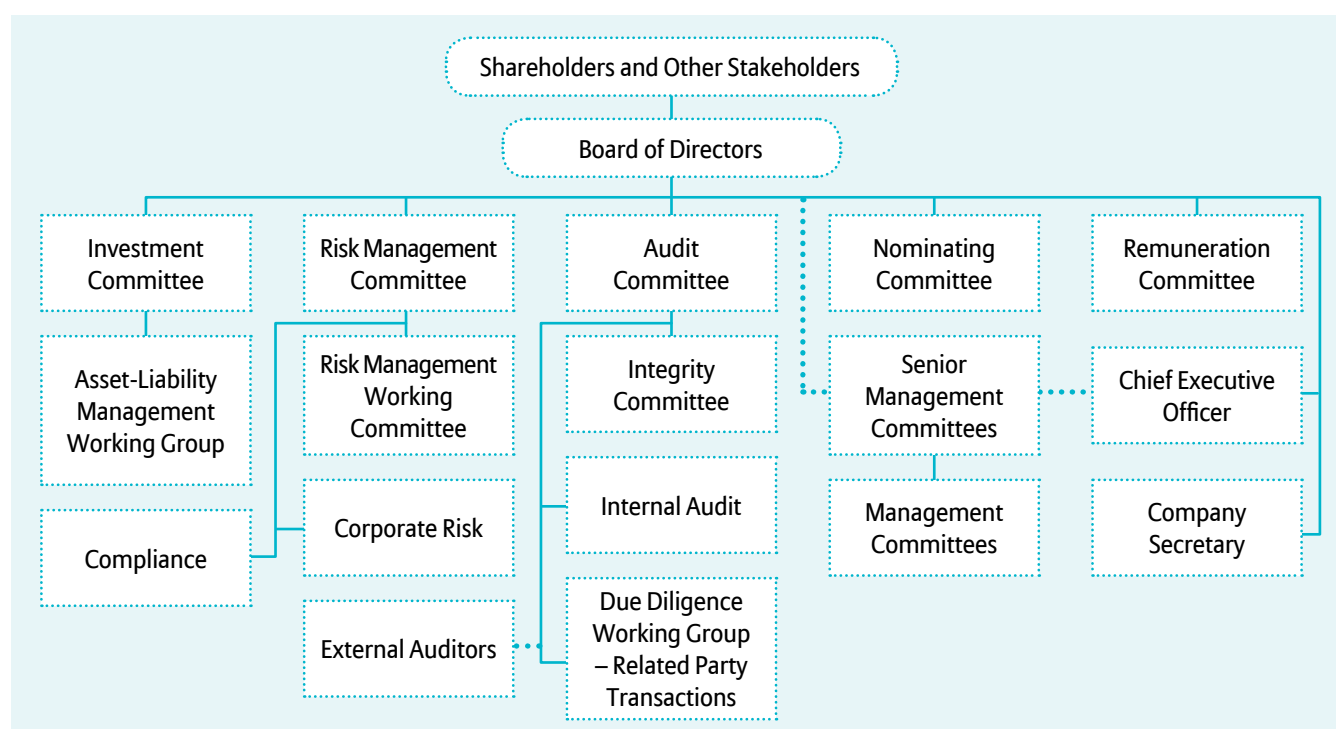
The Board of Directors' commitment to high standards of corporate governance was acknowledged by the Minority Shareholder Watchdog Group in 2014. The Company was listed amongst the top 50 public-listed companies in Malaysia in the 2014 Malaysia - ASEAN Corporate Governance Report issued by the Minority Shareholder Watchdog Group. In addition, the Group's sustainability report for the year 2013 was awarded the "Best Reporting within an Annual Report" by ACCA Malaysia's Sustainability Reporting Awards (MaSRA) 2014 and the Group was also awarded third place in the Edge Billion Ringgit Club Corporate Responsibility Award under the "Below RM10 billion market capitalisation" category for the year 2013.

BOARD CHARTER

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

The Board Charter will be reviewed periodically and made available on the Group's website.

The following chart illustrates the Corporate Governance framework adopted by the Group:-



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors is pleased to set out below the manner by which the Group has applied the principles of good governance and the extent to which it has complied with the recommendations and/or best practices prescribed under the CG Framework, the Listing Requirements and the Code, where applicable:-

1. BOARD OF DIRECTORS

Board Responsibilities

Directors are accountable to the shareholders and therefore should use their best efforts to ensure that the Company is properly managed and constantly improved so as to protect and enhance shareholders value and to meet the Company's obligations to all parties with which the Company interacts. The Board assumes, amongst others, the following responsibilities:-

- (a) Reviewing and adopting the strategic plan for the Company;
- (b) Formalise the Company's strategy on promoting sustainability;
- (c) Overseeing the conduct of the Company's business to ensure that the business is properly managed towards achieving the Company's corporate objectives;
- (d) Identifying key business risks, determining the risk appetite of the Company, and ensuring the implementation of appropriate systems to manage risks within established risk-tolerance limits;
- (e) Succession planning, including the appointment, training, remuneration and performance review of senior management;
- (f) Ensuring the adequacy and integrity of the Company's internal control and management information systems, including systems for monitoring compliance with applicable laws, regulations, rules, directives and guidelines;
- (g) Overseeing the development and implementation of a shareholder communications policy for the Company; and
- (h) To safeguard the integrity and credibility of the Company.

Board Professionalism

Code of Conduct

The Directors' Code of Ethics is formulated based on the Code of Ethics for Directors established by Companies Commission of Malaysia. It aims to enhance the standard of corporate governance and corporate behavior based on principles in relation to sincerity, integrity, responsibility and corporate social responsibility. The detailed Code of Ethics for Directors is set out in the Board Charter.

The Board has also adopted the Allianz SE Group's Code of Conduct for Business Ethics and Compliance ("Allianz Group Code of Conduct"). The Allianz Group Code of Conduct sets the minimum standards for the conduct of all employees, managers and Executive Directors, which covers the areas among others, fair and regulatory conduct of business, non-discrimination, 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.

STATEMENT ON CORPORATE GOVERNANCE

Conflicts of Interest

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

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

The Audit Committee will also regularly review the submission on the disclosures on directorship and shareholdings held by the Directors of the Company and persons connected with them.

Insider trading

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

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

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

Directorships

Directors should devote sufficient time to carry out their responsibilities. The Board should obtain this commitment from its members at the time of appointment. Prior to the acceptance of any new directorship, Director should notify the Board and give assurance that the new appointment shall not affect their time commitment in the Company.

Directors are required to disclose any changes in their interest including their directorships to the Company Secretary within 14 days from the changes, such disclosure will be circulated to the Board within 7 days upon received and tabled at the next following Audit Committee and Board Meetings for information and record. Such changes will be immediately updated in the related party listing of the Group.

The Company Secretary obtained declaration of the Directors on their directorships and shareholdings in other companies on half yearly basis. Such declaration will be tabled at the Board Meeting for the Board's information and the related party listing of the Group will be updated accordingly.

In line with the directorship requirements of Bursa Securities, all Directors hold not more than 5 directorships in public listed companies.

STATEMENT ON CORPORATE GOVERNANCE

Fit and Proper Requirements

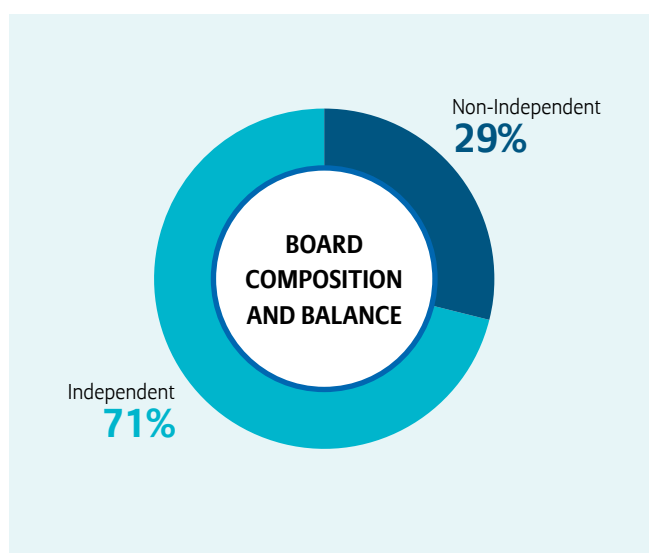
All Directors must fulfilled the criteria of “a fit and proper person” for their appointment as Directors as prescribed under the Financial Services Act 2013 (“FSA”) and the BNM’s Guidelines on Fit and Proper for Key Responsible Persons. In addition, the Group has in place a Fit and Proper Policy and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

All Directors are required to make an annual declaration that they fulfilled the minimum criteria of “a fit and proper person” as prescribed in Sections 59(1), (2) and (3) of the FSA.

Board Composition and Balance

The Board comprises 2 Executive Directors and a strong presence of 5 Independent Non-Executive Directors. The present composition of the Board is in compliance with 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, integrity and possessed the skills, knowledge and experience in their respective fields and hence enable the Board to discharge its responsibilities in an effective and competent manner.



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

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

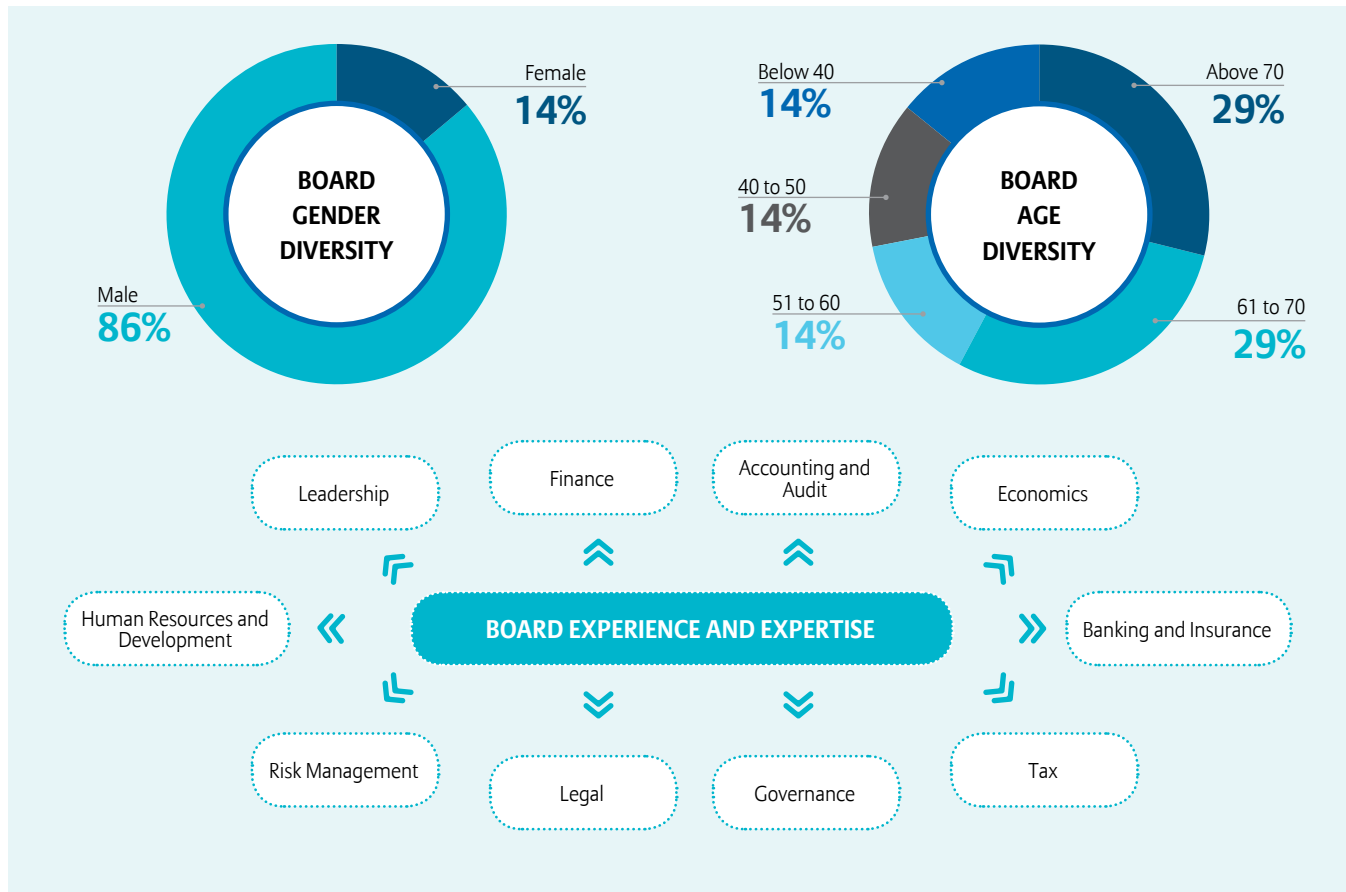
The profiles of the Board of Directors are set out on pages 20 to 26 of this Annual Report.

Board Diversity

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

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

STATEMENT ON CORPORATE GOVERNANCE



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

This is demonstrated through the appointment of the Group's first woman Independent Non-Executive Director, Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim in 2012 and the appointment of Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz in 2014.

Y. Bhg. Tan Sri Datuk (Dr.) Rafiah with her extensive knowledge and experience in legal, academic and human resource fields, locally and internationally, as well as her various working experiences with financial institution, regulator, government and United Nation has successfully filled the gap in the skill-set required by the Board and not just to fulfill the gender diversity quota.

In its effort to build and develop vernal talent, the Board appointed Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz as an Independent Non-Executive Director in November 2014. Y.A.M. Tunku Zain Al-Abidin, with his background in, amongst others, the UK Houses of Parliament, the United Nations Development Programme, the Institute for Democracy and Economic Affairs (IDEAS) as well as various educational and cultural organisations, brings with him a vast array of experience. His understanding of and commitment to socio-economic well-being and human development topics will contribute positively to the Group's development in meeting the needs of a diverse market in the globalised environment.

The Board through the Nominating Committee will continue evaluating suitable woman candidate and vernal talent for appointment to the Board at the appropriate time. The appointment of new Board member will not be guided solely by gender and age but also the skill set, experience and knowledge required.

STATEMENT ON CORPORATE GOVERNANCE

Nomination and Appointment of Directors

The Board nomination and appointment of Directors is a vital process as it determines the composition and quality of the Board's capacity and competency. The Nominating Committee is entrusted by the Board to review candidates for appointment to the Board.

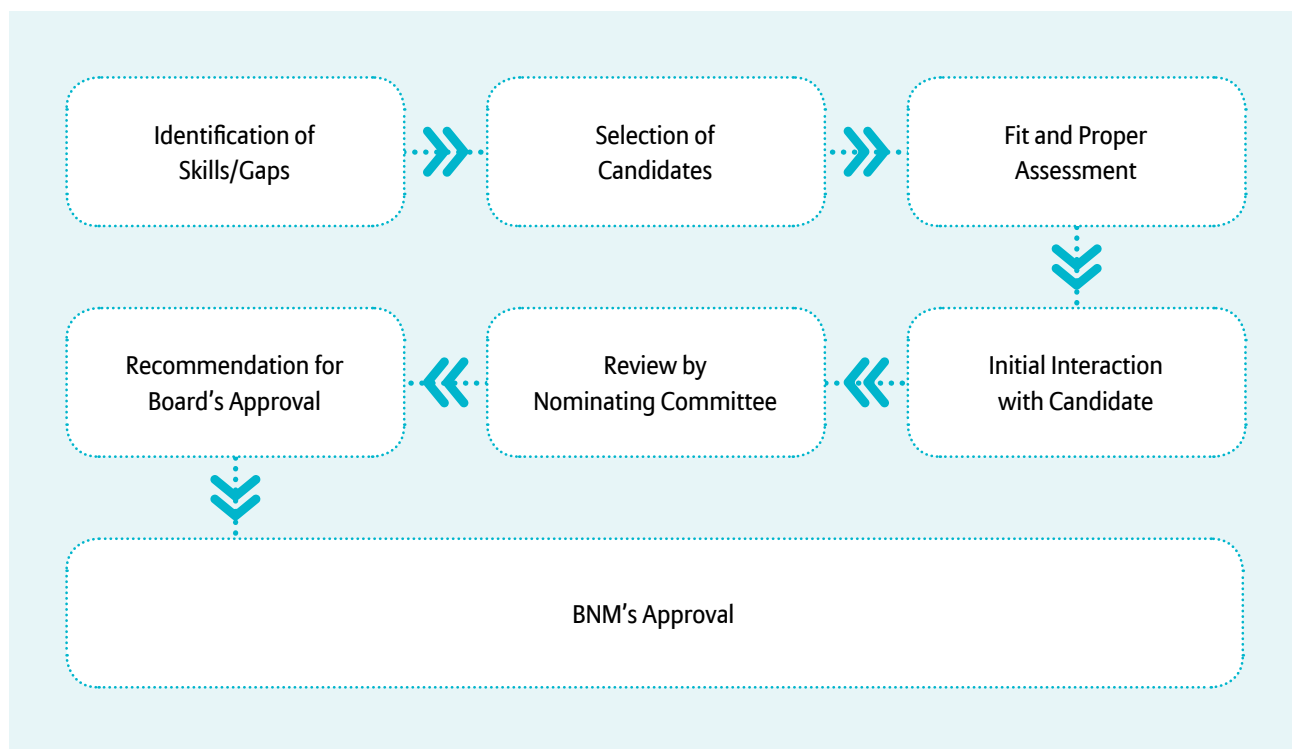
The Nominating Committee in making its recommendation on candidates for directorship will consider the candidate's:-

- (a) skill, knowledge, competencies, expertise and experience;
- (b) professionalism;
- (c) integrity;
- (d) commitment, contribution and performance; and
- (e) in the case of candidate for the position of Independent Non-Executive Directors, the Nominating Committee should also evaluate the candidate's ability to discharge such responsibilities/functions as expected from Independent Non-Executive Directors.

The appointment of Directors to the Board shall be subject to the prior approval of BNM pursuant to Section 54(2) of the FSA. 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 Board leverages on the Directors' network, shareholders' recommendation and industry database to source for potential candidates for appointment to the Board.

The Group is guided by the following process and procedures for nomination of new candidates:-



STATEMENT ON CORPORATE GOVERNANCE

Re-Election and Re-Appointment of Directors

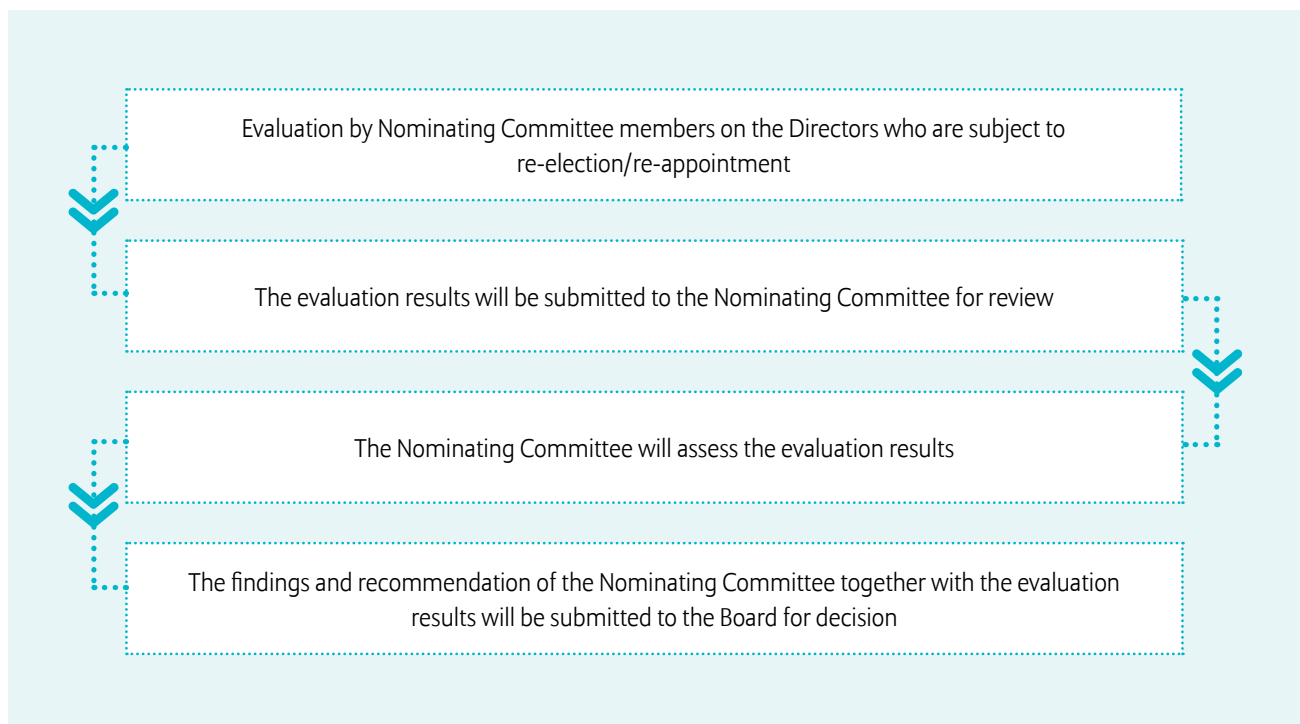
In accordance with the Articles of Association of the Company, one third of the Directors shall retire by rotation at each Annual General Meeting and that a Director who is appointed during the year shall retire at the next following Annual General Meeting. The Articles of Association further provide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

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 based on the following criteria as approved by the Board and submits its recommendation to the Board for consideration prior to the proposed re-election/re-appointment being presented to the shareholders for approval:-

- (a) Compliance with prescriptive requirements by regulators;
- (b) Participation in Board and Board Committees' meetings;
- (c) Contribution to interaction;
- (d) Quality of input; and
- (e) Understanding of role.

The evaluation process and procedures for re-election/re-appointment practiced within the Group are as follows:-



STATEMENT ON CORPORATE GOVERNANCE

Board and Directors' Performance Evaluation

The following performance evaluation processes were established to evaluate the performance of the Board, individual Directors, Board Committees and their members:-

Type of Evaluation	Evaluated By	Evaluation Criteria	Evaluation Process and Procedures
Annual Performance Evaluation on the Board	Peers	Covers the areas, among others:- <ul style="list-style-type: none"> • Roles and responsibilities • Conformance and compliance • Stakeholder relationships • Performance management 	(a) The evaluation forms approved by the Board will be circulated to the Directors for completion. (b) The responses will be collated by the Company Secretary and the summary of the evaluation results on the Board and individual Directors will be submitted to the Nominating Committee for review.
Annual Performance Evaluation on Individual Directors	Peers	Covers the areas, among others:- <ul style="list-style-type: none"> • Directors' compliance with prescriptive requirements imposed by regulators • Participation in Board and Board Committees • Contribution to interaction • Quality of input • Understanding of role 	(c) Thereafter, the findings and recommendation of the Nominating Committee together with the summary of the evaluation results will be submitted to the Board for deliberation.
Annual Performance Evaluation on Board Committees and their members	Nominating Committee	Covers the areas, among others:- <ul style="list-style-type: none"> • Composition • Quality of inputs • Level of experience • Contribution and performance • Timely reporting 	(a) The evaluation forms approved by the Board will be circulated to the Nominating Committee members for completion. (b) The responses will be collated by the Company Secretary and the summary of the evaluation results on the Board Committees and their members will be submitted to the Nominating Committee for review. (c) Thereafter, the findings and recommendation of the Nominating Committee together with the summary of the evaluation results will be submitted to the Board for deliberation.

Independent Non-Executive Directors

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

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

- to enhance the independence and objectivity of the Board's deliberations from the executive arm of the Company;
- to mitigate any possible conflict of interests between the policy-making process and the day-to-day management of the Company;
- to constructively challenge and contribute to the development of strategies for the Company;

STATEMENT ON CORPORATE GOVERNANCE

- (d) to ensure that the Board uses adequate systems and controls to safeguard the interests of the Company;
- (e) to provide the 'check and balance' function to the Board; and
- (f) to monitor and provide an objective view on the performance of Executive Directors and Management in meeting the agreed goals and objectives.

Independent Non-Executive Directors made up more than half of the Board members. 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 Non-Executive Directors play a significant role in bringing impartiality and scrutiny to Board deliberations and decision-making, so that no single party can dominate such decision-making in the Company.

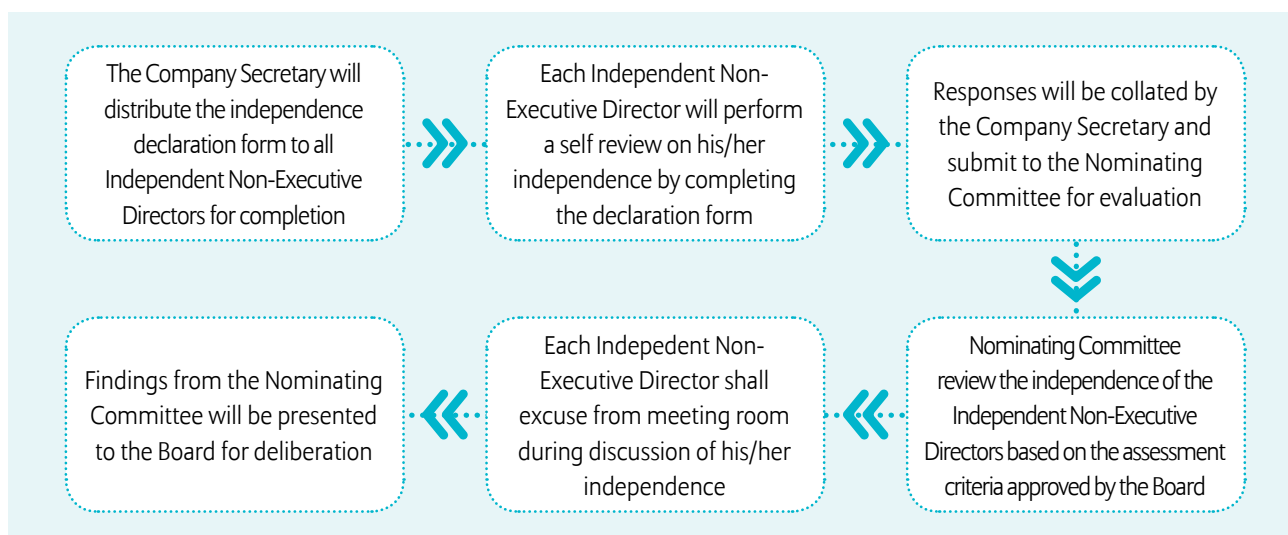
The Board is chaired by an Independent Non-Executive Director who does not represent the interest of the controlling shareholder. The Chairman and the Independent Non-Executive Directors do not engage in the day-to-day management of the Company or participate in any business dealings with the Group,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

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

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

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

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



STATEMENT ON CORPORATE GOVERNANCE

Tenure of Independent Non-Executive Directors

In line with the recommendation of the Code, the maximum tenure of services for Independent Non-Executive Directors in the Group has been revised from 12 years to 9 years.

An Independent Non-Executive Director who has served the Board for a consecutive service of more than 9 years may continue to serve on the Board but in the capacity of a Non-Independent Non-Executive Director. The shareholders could, in exceptional cases and subject to the assessment of the Nominating Committee, decide that an Independent Non-Executive Director can remain as an Independent Director after serving a cumulative term of 9 years. In such a situation, the Board must make a recommendation and provide strong justification to the shareholders in the Annual General Meeting. The Company should seek shareholders' approval at the nearest Annual General Meeting before the Independent Non-Executive Director serves for a cumulative term of 9 years. Shareholders' approval should be sought annually if the Company wishes to retain the Independent Non-Executive Director who has served for more than 9 years.

As at the date of this Statement, save for Mr. Foo San Kan, none of the Independent Non-Executive Directors of the Company has served for a cumulative term of 9 years.

The Nominating Committee having assessed the independence of Mr. Foo San Kan, recommended to the Board for Mr. Foo San Kan to continue to act as an Independent Non-Executive Director of the Company after serving for a cumulative term of more than 9 years based on the justification as detailed in pages 116 and 117.

The Board accepted the recommendation of the Nominating Committee and recommended for shareholders' approval at the 41st Annual General Meeting of the Company, the proposal for Mr. Foo San Kan to continue to act as an Independent Non-Executive Director of the Company after serving for a cumulative term of more than 9 years.

Mr. Foo San Kan has expressed his willingness to continue to act as an Independent Non-Executive Director of the Company.

Directors' Remuneration

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

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

Individual Directors shall abstain from discussion of their own remuneration.

Procedure

The 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.

STATEMENT ON CORPORATE GOVERNANCE

Disclosure

The Independent 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 Board/ Board Committee Meeting for the financial year ended 31 December 2014. The Executive Directors received only the remuneration paid to them for their respective designated positions held in the Company.

The remuneration (including benefits-in-kind) received by the existing Directors from the Company for the financial year ended 31 December 2014 is detailed below:-

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

Categories of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	167	-
Fees and allowances	-	455
Benefits (including estimated monetary value of benefits-in-kind)	22	-
Contribution to Employees' Provident Fund	22	-
Total	211	455

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

Band	Number of Executive Directors	Number of Non-Executive Directors
RM0 - RM50,000	1	1
RM50,001 - RM100,000	-	-
RM100,001 - RM150,000	1	4

Board Meetings

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 may be held as and when required to discuss matters or proposals which require the Board's urgent decision.

STATEMENT ON CORPORATE GOVERNANCE

A total of 7 Board Meetings were held during the financial year ended 31 December 2014 and the attendance of each existing Director is as follows:-

Directors	Designation	Number of Board Meetings Held	Number of Board Meetings Attended
Tan Sri Razali Bin Ismail	Chairman Independent Non-Executive Director	7	7
Foo San Kan	Independent Non-Executive Director	7	7
Dato' Dr. Thillainathan A/L Ramasamy	Independent Non-Executive Director	7	7
Tan Sri Datuk (Dr.) Rafiah Binti Salim	Independent Non-Executive Director	7	7
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	Independent Non-Executive Director	7	Not Applicable*
Zakri Bin Mohd Khir	Chief Executive Officer/ Non-Independent Executive Director	7	7
Ong Eng Chow	Chief Financial Officer/Non-Independent Executive Director	7	7

Note:-

- * Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz was appointed as an Independent Non-Executive Director of the Company on 28 November 2014. There was no Board Meeting held following his appointment.

All Directors have complied with the minimum requirements on attendance at Board Meeting of at least 50% in accordance with the Listing Requirements.

The Board Meetings are conducted in accordance with a structured agenda approved by the Chairman. All Directors are given sufficient time to review the meeting papers prior to Board Meetings. The agenda together with the minutes of Board Meeting and meeting papers are circulated to the Board 2 weeks prior to 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. The 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.

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

Director may participate in Board/Board Committee Meetings via conference call if he/she is unable to attend the meeting in person.

Board resolution passed by way of circular resolution is practiced sparingly by the Board although it is permitted under the Company's Articles of Association that a resolution in writing signed by a majority of the Directors shall be as valid and effectual as if it had been passed at a meeting of the Board.

Supply of Information

In between Board Meetings, the Board is informed or updated, on important issues and/or major development of matters discussed in the Board Meetings, by the Management and/or the Company Secretary. Briefing may be arranged to discuss on important issues.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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 undertakes, inter-alia, the following functions:-

- (a) Responsible for advising the Directors of their duties and responsibilities and obligations to disclose their interest in securities, prohibition on dealing of securities during the closed period, restriction on disclosure of price sensitive information, disclosure of any conflict of interest and related party transaction as well as disclosure of necessary information as required under the relevant legislations;
- (b) Preparing the agenda with the Chairman and Chief Executive Officer and notifying all Directors of Board Meetings;
- (c) Attends all Board and Board Committee Meetings and ensures that all Meetings are properly convened and proceedings of the Board and Board Committee Meetings and decisions thereof are properly recorded, communicating decisions of the Board and Board Committees to the relevant management for necessary action, follow-up on proposals or matters tabled at the Board or Board Committee Meetings;
- (d) Providing full access and services to the Board;
- (e) Assisting the Board with interpreting legal and regulatory acts related to the Code, Listing Requirements and other related regulations and developments;
- (f) Advising the Board on its obligatory requirements to disclose material information to the shareholders and financial markets on a timely basis;
- (g) Handling Company share transactions and other duties as prescribed under the relevant legislations;
- (h) Notifying the Chairman of any possible violations of legal and regulatory acts;
- (i) Ensuring the appointment of new Directors, re-appointment and resignation of Directors are in accordance with the relevant legislations;
- (j) Ensuring execution of assessment for Directors and the Board/Board Committees;
- (k) Briefing new Directors on organisational structure of the Company and procedures that regulate the operations of the Board;
- (l) Ensuring availability of information required by new Directors for the proper discharge of their duties;
- (m) Assisting the Board and Chairman on the implementation of the Code;
- (n) Monitoring compliance with the principles and recommendations of the Code and informing the Board of any breaches; and
- (o) Ensuring high standard of governance by keeping abreast of the latest enhancement in corporate governance and changes in the legal and regulatory framework.

The 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.

STATEMENT ON CORPORATE GOVERNANCE

Independent Professional Advice

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

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

Directors' Training

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

A formalised orientation programme has been developed and provided to new members of the Board to ensure that they understand:-

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

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

The Board via the Nominating Committee continuously evaluates the training needs of its Directors. In order to keep the Directors abreast with the dynamic and complex business environment as well as new statutory and regulatory requirements, 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 organised internal training programme for Directors and facilitates the enrollment of Director to external training programmes. A complete record of trainings, conferences and seminars attended by the Directors as participants or speakers is maintained by the Company Secretary.

STATEMENT ON CORPORATE GOVERNANCE

The training programmes, seminars and conferences attended by the Directors during the financial year ended 31 December 2014 are as follows:-

Directors	Programmes/Seminars/Conferences Attended
Tan Sri Razali Bin Ismail	<ul style="list-style-type: none"> • 27th Conference of the Academy of Latinity, Post-Regionalism in the Global Age on "Multiculturalism and Cultural Circulation in Southeast Asia and Latin America - Asia in a World in Motion" and presented a paper on "Contestation of States in Southeast Asia: Searching for Identity, Nationalism or Moderation" (as speaker) • ASEAN Leadership Program in Myanmar • Capital-at-Risk • Executive Workshop on Diplomacy & Security for Senior Government Officials 1/2014 on "The Role of Global Movement of Moderates in Establishing Stability" (as speaker) • World Muslim Leadership Forum (as speaker) • Second Russia-ASEAN Youth Summit on "Young Russia – Young ASEAN Contributors to Greater Connectivity" (as speaker) • International Conference on Social Entrepreneurship 2014 on "Globalisation of Social Entrepreneurship Opportunities" (as speaker) • Conference Academie de la Latinite on Social Inclusion & Representation, Paper Titled "Diversity, Inclusivity & Governance in the Social Landscape of Southeast Asia" • Anti-Trust • Actuarial Assumptions and Participating Fund Management • Motor Pricing and Internal Tariff • Panel Session on "Envisioning 2020 Boards" at the Women Directors' Convention 2014 (as panelist) • Malaysian Institute of Defence and Security Talk on "Malaysia's Inclusion in the United Nations Security Council" (as speaker)
Foo San Kan	<ul style="list-style-type: none"> • Training and awareness seminar on Personal Data Protection Act 2010 • BNM Dialogue Session with Nomination Committee Members • Scenario Planning • Roundtable Discussion on Financial Reporting • Advocacy Sessions on Corporate Disclosure for Directors • Capital-at-Risk • Goods and Services Tax Awareness Briefing • Appreciation & Application of ASEAN Corporate Governance Scorecard • Goods and Services Tax Briefing • Malaysian Goods and Services Tax – Issue Large & Small • Anti-Trust • Actuarial Assumptions and Participating Fund Management • Motor Pricing and Internal Tariff • Briefing on Malaysian Financial Reporting Standards (MFRS) 15 – Revenue from Contracts with Customers

STATEMENT ON CORPORATE GOVERNANCE

Directors	Programmes/Seminars/Conferences Attended
Dato' Dr. Thillainathan A/L Ramasamy	<ul style="list-style-type: none"> Malaysia's Economic Outlook & Strategies to Promote High Performing Education Training and awareness seminar on Personal Data Protection Act 2010 The London School of Economics and Political Science ("LSE") Asia Forum 2014 Building Asian Futures: Integration, Welfare & Growth Post LSE Forum Talks on "The Financial Crisis and Financial Reforms" and "China's Foreign Affairs under Xi Jinping" BNM Dialogue Session with Nomination Committee Members Business Coffee Session on topic of "How leader can make better decisions and execute better" Capital-at-Risk Goods and Services Tax Awareness Briefing Conference on Private Equity in Asia Khazanah Megatrends Forum Scaling the Efficiency Frontier Institutions, Innovation & Inclusion Training on Liquidity & Market Risks Dialogue on Competition Law Issues in Mergers, Collaborations & Exclusive Arrangements LSE Insights on the Coming World Crisis Anti-Trust Actuarial Assumptions and Participating Fund Management Motor Pricing and Internal Tariff
Tan Sri Datuk (Dr.) Rafiah Binti Salim	<ul style="list-style-type: none"> Training and awareness seminar on Personal Data Protection Act 2010 Moving Next-Gen Sequencing Into Clinical Cancer Diagnostics : Advantages and Limitations Corporate Governance, Practitioner's Perspective (as presenter) Branding PIDM Annual Dialogue Capital-at-Risk Goods and Services Tax Awareness Briefing Anti-Trust Actuarial Assumptions and Participating Fund Management Motor Pricing and Internal Tariff
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	<ul style="list-style-type: none"> Allianz Malaysia Orientation Programme Anti-Trust Actuarial Assumptions and Participating Fund Management Motor Pricing and Internal Tariff

STATEMENT ON CORPORATE GOVERNANCE

Directors	Programmes/Seminars/Conferences Attended
Zakri Bin Mohd Khir	<ul style="list-style-type: none"> • Allianz International 2014 Conference • BNM Dialogue Session with Nomination Committee Members • AMI Campus Program on “Property & Casualty Mid-Corp Business” • Capital-at-Risk • Anti-Trust • Actuarial Assumptions and Participating Fund Management • Motor Pricing and Internal Tariff
Ong Eng Chow	<ul style="list-style-type: none"> • PIDM Annual Dialogue • Mergers & Acquisition Seminar • Goods and Services Tax Awareness Briefing • Allianz Finance Conference • Anti-Trust • Actuarial Assumptions and Participating Fund Management

The Nominating Committee having reviewed the trainings attended by the Directors during the year 2014 was satisfied with the training programmes/courses attended by the Directors for year 2014.

Segregation of Powers

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

Chairman

The Chairman plays a crucial leadership and pivotal role in ensuring that the Board works effectively.

The Chairman's roles include, inter alia, the following:-

- (a) As a leader for the Board and chairs all Board Meetings;
- (b) Managing Board Meetings to ensure robust decision-making;
- (c) Building a high performance Board by, inter alia, promoting the highest standards of integrity, probity and corporate governance in the Company and taking a leading role in creating an effective corporate governance system and leading the Board in oversight of Management;
- (d) Managing Board/Management interface by inter alia, acting as the main conduit between the Management and the Board and developing a positive relationship with the Management;
- (e) Acting as a spokesperson for the Board; and
- (f) Ensuring effective communication with the Company's shareholders and other stakeholders.

The Chairman also encourages feedbacks from the stakeholders, he can be reached via his email address at razali.ismail@allianz.com.my.

STATEMENT ON CORPORATE GOVERNANCE

Chief Executive Officer

The Chief Executive Officer is in charge of the day-to-day running of the business. The Chief Executive Officer's main roles are as follows:-

- (a) Setting business objectives and strategic direction, coordinating and supervising the Group, as well as implementing and overseeing an efficient risk management system;
- (b) Ensuring that the Group's business are properly and efficiently managed by ensuring that the executive team implements the policies and strategies adopted by the Board and Board Committees;
- (c) Responsible for monitoring adherence to statutory provisions and official regulations;
- (d) Assisting the Chairman in drawing up the agenda for Board Meetings by providing input in relation to important strategic issues facing the business;
- (e) Ensuring that operational planning and control systems are in place;
- (f) Ensuring Board decisions and instruction are implemented;
- (g) Providing strong leadership and ensure the business objectives and strategies are communicate across all levels in the Company; and
- (h) Ensuring organisational structure and systems in place to develop talent and succession planning for Senior 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, distinctions must be maintained between Management's functions and the overall responsibility of the Board.

The Board has established authority limit guidelines ("Authority Limit Guidelines") detailing matters specifically reserved for its decision and those delegated to the Board Committees and the Management and the parameters in relation thereto. The Authority Limit Guidelines set out the responsibility and the approval limits for each party and is made available to all Directors and accessible by staff via the Group's staff e-portal.

Management Authority Limit

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

Such authority limits are documented in the Authority Limit Guidelines and is regularly reviewed to ensure the said Guidelines remain relevant to the changing environment.

STATEMENT ON CORPORATE GOVERNANCE

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

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 Board set up the below mentioned Board Committees to assist the Board on specific areas of responsibilities as described in the respective Board Committees' terms of reference. 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 78 to 91 of this Annual Report.

Risk Management Committee

The composition of the Risk Management Committee as at the date of this Annual Report is 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 2014 and the attendance of the abovementioned Risk Management Committee members was as follows:-

Members	Number of Risk Management Committee Meetings Held	Number of Risk Management Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4	4
Foo San Kan	4	4
Dato' Dr. Thillainathan A/L Ramasamy	4	4

STATEMENT ON CORPORATE GOVERNANCE

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

- (a) to address strategic and corporate level risks (including compliance risk) and recommend to the respective Boards of the Group the strategies to manage these risks and ensure its implementation;
- (b) to review and assess the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- (c) to review and recommend risk management strategies, policies and risk parameters/tolerance levels, 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;
- (d) to review and assess the effectiveness of the overall management of compliance risk;
- (e) to ensure the risk control and compliance functions have adequate resources, authority, infrastructure, systems and independence to enable an effective risk management and compliance;
- (f) to review the Key Risks Profile and risks raised by business units and monitor the progress of action plans implemented;
- (g) 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;
- (h) to review periodic reports on risk exposure, risk portfolio composition and risk management activities;
- (i) to report to the respective Boards of the Group, the risk management and compliance status on a regular basis; and
- (j) to approve the risk methodology to facilitate risk assessment.

Nominating Committee

The composition of the Nominating Committee as at the date of this Annual Report is as follows:-

Members	Designation
Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairperson)	Independent Non-Executive Director
Tan Sri Razali Bin Ismail (Member)	Independent Non-Executive Director
Foo San Kan (Member)	Independent Non-Executive Director
Dato' Dr. Thillainathan A/L Ramasamy (Member)	Independent Non-Executive Director
Tunku Zain Al-Abidin Ibni Tuanku Muhriz (Member)	Independent Non-Executive Director

The Nominating Committee comprises wholly of Independent Non-Executive Directors.

STATEMENT ON CORPORATE GOVERNANCE

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

Given the responsibility of the Nominating Committee in areas such as developing the skills, assessment, recruitment, succession planning and performance evaluation, it will be preferable to have a Director who possessed experience in the fields of human resource management and recruitment of senior executive to lead the Nominating Committee. Thus, the Board has appointed Y. Bhg. Tan Sri Datuk (Dr.) Rafiah Binti Salim, who has extensive years of experience in legal, human resource, banking, academic, at the local and international levels, as the Chairperson of the Nominating Committee. The Nominating Committee under the stewardship of Y. Bhg. Tan Sri Datuk (Dr.) Rafiah has contributed positively to the effectiveness of the Nominating Committee.

The primary objective of the Nominating Committee is to establish a documented formal and transparent procedure for the appointment of Directors, Chief Executive Officers and key responsible persons of the Group and to assess the effectiveness of individual Directors, the respective Boards (including various committees of the Board), Chief Executive Officers and other key responsible persons of the Group on an on-going basis.

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

- (a) establishing minimum requirements for the Board and the Chief Executive Officer to perform their responsibilities effectively. It is also responsible for overseeing the overall composition of the Board in terms of the appropriate size and 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) assessing and recommending the nominees for directorship, Directors to fill Board Committees, as well as nominees for the Chief Executive Officer position. This includes assessing Directors and Chief Executive Officer proposed for re-appointment, before an application for approval is submitted to BNM. The Nominating Committee in making its recommendation to the Board 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 Officer. All assessments and evaluations carried out by the Nominating Committee in 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 other key responsible persons and recommending to the Board on removal of a Director/Chief Executive Officer/other key responsible person if he/she is ineffective, errant or negligent in discharging his/her responsibilities; and
- (f) ensuring that all Directors undergo appropriate induction programmes and receive continuous training.

STATEMENT ON CORPORATE GOVERNANCE

There were 7 Nominating Committee Meetings held during the financial year ended 31 December 2014 and the attendance of the abovementioned Nominating Committee members was as follows:-

Members	Number of Nominating Committee Meetings Held	Number of Nominating Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	7	7
Tan Sri Razali Bin Ismail	7	6
Foo San Kan	7	7
Dato' Dr. Thillainathan A/L Ramasamy	7	7
Tunku Zain Al-Abidin Ibni Tuanku Muhriz	7	Not applicable*

Note:-

- * Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz was appointed as a Nominating Committee member on 28 November 2014. There was no Nominating Committee Meeting held following his appointment.

The Meetings of the Nominating Committee are transparent, with all proceedings recorded and actions documented. The minutes of the Nominating Committee are tabled at the Board Meeting for information. The Chairperson of the Nominating Committee also report to the Board on key issues deliberated by the Nominating Committee at Board Meeting.

During the financial year ended 31 December 2014, the following activities were carried out by the Nominating Committee:-

New appointment of Director

Nominating Committee carried out an evaluation on the proposed appointment of Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz as an Independent Non-Executive Director of the Company based on the prescribed evaluation criteria and submitted its recommendation and justification for the said proposed appointment to the Board for consideration.

The Board accepted the recommendation from the Nominating Committee and approved the proposed appointment of Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz as an Independent Non-Executive Director of the Company subject to BNM's approval.

Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz was formally appointed as an Independent Non-Executive Director of the Company on 28 November 2014 following the approval received from BNM.

An orientation programme was held for Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz following his appointment as an Independent Non-Executive Director of the Company. The orientation programme was coordinated by the Company Secretary together with the respective Head of Departments with the objectives of providing Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz the necessary information and overview to assist him in understanding among others, Directors' roles and responsibilities, organisation structure, nature of Group's business and its operations, corporate strategies and challenges, corporate governance structure, risk management strategy, internal audit, legal and compliance controls of the Group.

STATEMENT ON CORPORATE GOVERNANCE

Re-Election and Re-Appointment

The Nominating Committee carried out performance assessment on the following Directors who were subject to retirement by rotation or re-appointment at the 40th Annual General Meeting held in 2014 :-

- (a) Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy and Mr. Ong Eng Chow, who were subject to retirement by rotation pursuant to the Company's Articles of Association; and
- (b) Y. Bhg. Tan Sri Razali Bin Ismail who was subject to re-appointment pursuant to Section 129(6) of the Companies Act, 1965.

The Nominating Committee having reviewed the assessment results, was satisfied with the performance of the respective Directors and recommended the re-election and re-appointment of the abovementioned Directors to the Board for approval.

The abovementioned Directors who are also members of Nominating Committee had abstained from the deliberation and voting of their respective re-election or re-appointment at the Nominating Committee Meeting.

The re-election and re-appointment of the abovementioned Directors were approved by the shareholders of the Company at the 40th Annual General Meeting held on 25 June 2014.

The Nominating Committee also carried out performance assessments on Directors in the insurance subsidiaries who were subject to re-election and re-appointment at the Annual General Meeting of the respective insurance subsidiaries of the Company and having satisfied with the performance of the respective Directors, recommended the re-election and re-appointment of the respective Directors to the Boards of the respective insurance subsidiaries for approval.

Directors' Performance Review

The Nominating Committee reviewed the assessment results of individual Directors and the respective Boards of the Group for year 2013.

On average, the individual assessment on Directors of the Company was rated as "Good" whereas, the Board assessment was rated as "Excellent".

Composition Mix

The Nominating Committee reviewed the Composition Mix of the Board and opined that the existing Board of the Company is made up of Directors of high caliber and integrity with diverse backgrounds. They possessed the qualification, skills, knowledge and expertise in their respective fields that are appropriate to the business of the Group and therefore the Board has a good Composition Mix.

The Nominating Committee had reviewed and noted that the Independent Non-Executive Directors made up more than half of the Board members. Accordingly, the composition of the Board is appropriate and well balanced to cater for the interest of the majority and minority shareholders.

The Nominating Committee also reviewed the Board Composition Mix of the insurance subsidiaries and submitted its observations to the respective Boards for deliberation.

STATEMENT ON CORPORATE GOVERNANCE

Independence Assessment

The annual independence assessment on Independent Non-Executive Directors for year 2014 was performed by the Nominating Committee and the Nominating Committee was satisfied that all Independent Non-Executive Directors of the Company fulfilled the criteria under the definition of Independent Directors as prescribed by the authorities and that they have demonstrated independent and objective judgment in Board/Board Committee deliberations and acting in the best interest of the Group as well as safeguarding the interests of minority shareholders and stakeholders. The Nominating Committee was of the view that all Independent Non-Executive Directors of the Company remain independence and shall maintain their Independent Non-Executive Directors status in the Company. The observations from the Nominating Committee were submitted to the Board for deliberation.

In deliberating on the subject matter, the Independent Non-Executive Directors who are members of the Nominating Committee had abstained from the deliberation and voting on their respective independence assessment.

The Nominating Committee also reviewed the proposal for Mr. Foo San Kan, to continue to act as an Independent Non-Executive Director of the Company after serving for a cumulative term of 9 years and submitted its recommendation and justification for the Board's consideration.

The above proposal was approved by the shareholders of the Company at the 40th Annual General Meeting held on 25 June 2014.

The Nominating Committee also carried out independence assessment on Independent Non-Executive Directors of the insurance subsidiaries for year 2014 and submitted its observations to the respective Boards for deliberation.

Board Committee's Performance Review

The Nominating Committee reviewed the composition of the Board Committees and was of the view that the composition of the respective Board Committees were in order. The Nominating Committee also carried out performance assessments on the Board Committees and their members, was satisfied with the performance of the Board Committees and their members. The findings of the Nominating Committee were submitted to the Board for deliberation.

Key Responsible Persons

- (a) The Nominating Committee reviewed the fit and proper assessments results for the Directors and key responsible persons of the Group and noted that there were no adverse findings observed. The Nominating Committee was satisfied with the results of the fit and proper assessment of the Directors and key responsible persons and recommended that the results be submitted to the respective Boards of the Group for review.
- (b) The Nominating Committee also reviewed the 2013 performance evaluation results of the key responsible persons of the Group and submitted its observations to the respective Boards of the Group for consideration.
- (c) The Nominating Committee reviewed the proposed promotion for key responsible persons and submitted its recommendation to the respective Boards of the Group for approval.
- (d) The Nominating Committee evaluated the proposed appointment of Head of Internal Audit and submitted its recommendation to the Board for consideration.
- (e) The Nominating Committee evaluated the proposed appointment and proposed re-appointment of Appointed Actuary for the life insurance subsidiary for the financial years 2014 and 2015 respectively and submitted its recommendations to the Board of the life insurance subsidiary for consideration.

STATEMENT ON CORPORATE GOVERNANCE

- (f) The Nominating Committee evaluated the proposed appointment of Appointed Actuary for the general insurance subsidiary for the financial year 2015 and submitted its recommendation to the Board of the general insurance subsidiary for consideration.
- (g) The Nominating Committee evaluated the proposed appointment of Chief Risk Officer for the life insurance subsidiary and submitted its recommendation to the Board of the life insurance subsidiary for consideration.
- (h) The Nominating Committee evaluated the proposed appointment of the Chief Executive Officer of the life insurance subsidiary and submitted its recommendation to the Board of the life insurance subsidiary for consideration.

Training

The Nominating Committee reviewed the list of training programmes/courses attended by the Directors of the Group (either as participant or as a speaker/moderator) for year 2013 and was satisfied with the training programmes/courses attended by the Directors for year 2013.

Others

- (a) The Nominating Committee reviewed the results of the 2013 Allianz Engagement and Leadership Survey completed by the Senior Management with regard to the Chief Executive Officer's effectiveness.
- (b) The Nominating Committee reviewed the revised Group's Fit and Proper Policy and Procedures for Key Responsible Persons ("Revised F&P Policy") and the Allianz Group Fit and Proper Policy ("Allianz Group F&P Policy") and submitted its recommendation for the respective Boards of the Group to approve the Revised F&P Policy and to adopt the Allianz Group F&P Policy.

During the first quarter of 2015, the Nominating Committee carried out performance assessment on the following Directors who are subject to re-election or re-appointment at the forthcoming 41st Annual General Meeting of the Company:-

- (a) Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz and Mr. Foo San Kan, who are subject to retirement pursuant to the Company's Articles of Association.
- (b) Y. Bhg. Tan Sri Razali Bin Ismail and Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy who are subject to re-appointment pursuant to Section 129(6) of the Companies Act, 1965.

The Nominating Committee after reviewing the assessment results, was satisfied with the performance of the abovementioned Directors and recommended the re-election and re-appointment of the abovementioned Directors to the Board for approval.

All the above Directors had abstained from the deliberation and voting of their respective re-election and re-appointment at the Nominating Committee Meeting.

The Nominating Committee also carried out the annual independence assessment on Independent Non-Executive Directors for year 2015 and was satisfied that all Independent Non-Executive Directors of the Company remain independence and shall maintain their Independent Non-Executive Directors status in the Company. The observations from the Nominating Committee were submitted to the Board for deliberation.

The Nominating Committee further recommended to the Board for Mr. Foo San Kan to continue to act as an Independent Non-Executive Director of the Company after serving for a cumulative term of more than 9 years based on the justification, among others, as follows:-

- (a) Mr. Foo San Kan fulfilled all criteria under the definition of Independent Non-Executive Director as prescribed by Bursa Securities and BNM.

STATEMENT ON CORPORATE GOVERNANCE

- (b) His vast experience and high management skill, particularly in the fields of accounting, auditing and corporate matters, provide an optimal mix in skill of the Board and are crucial for the Board to discharge its duties effectively and in a competent manner.
- (c) Mr. Foo San Kan is a person of high caliber and integrity. In his capacity as an Independent Non-Executive Director, he discharged his duty diligently, taking into consideration the interests of all stakeholders, in particular the minority shareholders' interest when deliberating on matters which may have impact on their interests.
- (d) He has acted in the best interest of the Company since his appointment as an Independent Non-Executive Director, providing independent and objective views to the deliberations and decision making of the Board and Board Committees.
- (e) Mr. Foo San Kan fully understands the Group's objective and strategies as well as the business operation of the Company and the insurance industry market. He devotes substantial time and attentions to his obligation as an Independent Non-Executive Director as well as the Chairman and members of the respective Board Committees:-
 - (i) As a Chairman of the Audit Committee, he encourages healthy debate on matters discussed at the meeting and leading the Audit Committee to resolve issues in a harmonious and effective manner without compromising the integrity of the Audit Committee to the stakeholders. He also provides guidance and support to the finance and governance teams in enhancing the reporting standard and corporate governance standard as well as in addressing issues in relation to fraud and whistleblowing.
 - (ii) As a member of the Nominating Committee, Remuneration Committee and Risk Management Committee, Mr. Foo San Kan has actively and constructively evaluated matters or proposals tabled at the respective Board Committee meetings, taking into consideration the interests of all stakeholders, in particular the minority shareholders' interest, before making recommendation to the respective Boards for consideration.

Remuneration Committee

The composition of the Remuneration Committee as at the date of this Annual Report is as follows:-

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

There were 4 Remuneration Committee Meetings held during the financial year ended 31 December 2014 and the attendance of the abovementioned Remuneration Committee members was as follows:-

Members	Number of Remuneration Committee Meetings Held	Number of Remuneration Committee Meetings Attended
Tan Sri Datuk (Dr.) Rafiah Binti Salim	4	4
Tan Sri Razali Bin Ismail	4	3
Foo San Kan	4	4

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

STATEMENT ON CORPORATE GOVERNANCE

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

- (a) recommending a framework of remuneration for Directors, Chief Executive Officer and other 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 other key responsible persons;
 - (iii) be sufficient to attract and retain Directors, Chief Executive Officer and other key responsible persons of caliber 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 other 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 other 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 composition of the Investment Committee as at the date of this Annual Report is as follows:-

Members	Designation
Dato' Dr. Thillainathan A/L Ramasamy (Chairman)	Independent Non-Executive Director
Zakri Bin Mohd Khir (Member)	Non-Independent Executive Director
Ong Eng Chow (Member)	Non-Independent Executive Director
Tapan Kumar Rangam Bir (Member)	Chief Executive Officer of Allianz Life Insurance Malaysia Berhad

There were 4 Investment Committee Meetings held during the financial year ended 31 December 2014 and the attendance of the abovementioned Investment Committee members was as follows:-

Members	Number of Investment Committee Meetings Held	Number of Investment Committee Meetings Attended
Dato' Dr. Thillainathan A/L Ramasamy	4	4
Zakri Bin Mohd Khir	4	4
Ong Eng Chow	4	4
Tapan Kumar Rangam Bir	4	Not Applicable*

Note:-

* Mr. Tapan Kumar Rangam Bir was appointed as an Investment Committee member on 29 January 2015.

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

STATEMENT ON CORPORATE GOVERNANCE

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.

The Group takes a proactive approach to sustainability through incorporation of sustainable practices into its products and services, engaging with society via its corporate responsibility initiatives, consistent review and improves its governance structures as well as taking actions to reduce its environmental footprint.

The progress of the Group's activities and initiatives for the year 2014 are detailed in the Sustainability Report which forms part 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 information to be disclosed in the financial statements to ensure that information disclosed is accurate, adequate and in compliance with the various disclosure requirements imposed by the relevant authorities and applicable financial reporting standards. The Board discusses and reviews the recommendations proposed by the Audit Committee prior to adoption of the financial statements of the Group.

The Statement of Responsibility by Directors in respect of the preparation of annual audited financial statements of the Company is presented on page 128 of this Annual Report.

Related Party Transactions

The Group complied with the requirements of BNM's Guidelines on Related Party Transactions (BNM/RH/GL 018-6) and the Listing Requirements in respect of 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:-

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

STATEMENT ON CORPORATE GOVERNANCE

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 submits its recommendation to the Board for consideration. Director who has a direct or deemed interest in the related party transactions/Recurrent Transactions presented at the Audit Committee/Board Meeting will abstain from deliberation and voting on the said related party transactions/Recurrent Transactions.

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

Risk Governance

Risk Management Framework

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

Risk Governance Structure

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

The risk governance structure is defined top-down with the highest oversight function being performed by the Board, specifically the Risk Management Committee. The Board assumes ultimate responsibility over the effectiveness of the Group's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The risk management framework including all Group policies is subject to the approval of the Board.

The Risk Management Committee oversees the Senior Management's activities in managing the key risk areas of the Group and to ensure that the risk management process is in place and functioning effectively. The Risk Management Committee drives the risk management framework of the Group and report to the Board on its recommendations and/or decisions. Through structured reporting from Risk Management Working Committee ("RMWC"), the Risk Management Committee consolidates the status of the risks and presents them to the Board for consideration.

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

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

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

STATEMENT ON CORPORATE GOVERNANCE

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

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

Risk Strategy and Risk Appetite

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

- All material risks.
- Allowing for breakdown of risk appetite.
- Taking into account requirements imposed by supervisors as well as the protection of both policyholder obligations and shareholder net asset value.

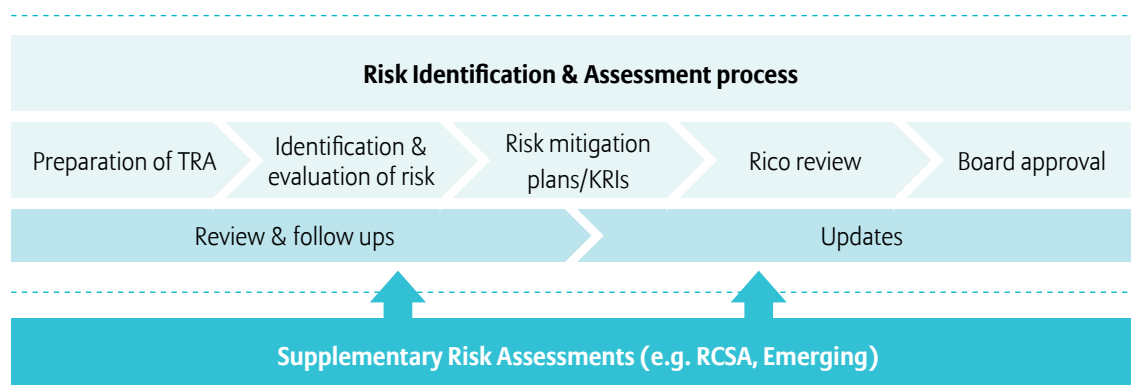
The Risk Strategy will also define the core elements of the Group's risk appetite namely target rating of top risks, capital adequacy, earning volatility, liquidity, as well as operational, strategic and reputational exposures that might cause significant loss to the Group.

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

Risk Management Process

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

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



STATEMENT ON CORPORATE GOVERNANCE

(a) Top Risk Assessment

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

The Group identifies and remediates significant threats to financial results, operational viability or the delivery of key strategic objectives, regardless of whether they relate to quantifiable or non-quantifiable risks using the approved TRA Matrix. The identified top risks are assessed quarterly by the assigned risk owners; and the same is reviewed, discussed and approved by the Board, Risk Management Committee and RMWC. Key risk indicators are also put in place to monitor changes in risk exposure or control effectiveness for the top risks on quarterly basis.

(b) Operational Risk Management

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

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

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

(c) Reputational Risk Management

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

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

(d) Liquidity Risk Management

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

Liquidity analysis is also carried out where appropriate and its results are discussed in the Asset Liability Management Working Group meeting for any remediation actions required.

STATEMENT ON CORPORATE GOVERNANCE

Internal Capital Adequacy Assessment Process

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

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

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

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

Stress Testing

Stress test is an effective risk management tool and the Group conducts such stress test regularly.

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

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

The Group's stress testing process complies with both the expectations of BNM and Allianz SE Group.

Whistleblowing Policy

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

The Group implemented the Whistleblowing Policies and Procedures ("Whistleblowing Policy") to address whistleblowing matters; and the Whistleblowing Policy describes the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents by the employees and external party or any insurance intermediary. The Group also has an established whistleblowing mechanism in place to enable anonymous and non-anonymous reporting of any breach of the Allianz Group Code of Conduct, any laws, regulations, orders or any internal rules. All whistleblowing incidents in the Group are reviewed by the Integrity Committee and the Audit Committee.

STATEMENT ON CORPORATE GOVERNANCE

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

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

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

Internal Audit Function

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

Details of the Internal Audit Function of the Group is presented on page 91 of this Annual Report.

External Auditors

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

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

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

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

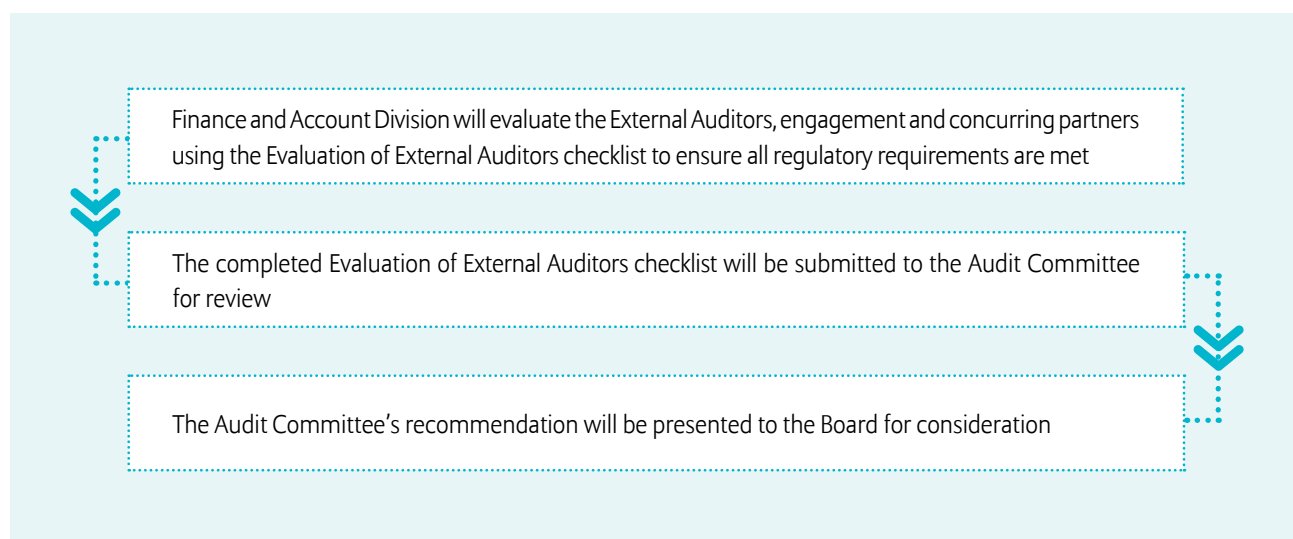
The appointment and re-appointment of the External Auditors, engagement partner and concurring partner will be reviewed by the Audit Committee and the recommendation from the Audit Committee will be presented to the Board for consideration prior to the same being presented to the shareholders for approval.

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

STATEMENT ON CORPORATE GOVERNANCE

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

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



Through the Audit Committee, the Board has established a formal and appropriate relationship with the External Auditors. The Audit Committee meets with the External Auditors at least 2 times a year to review the audit plan, the audited financial statements and the audit observations. The Audit Committee also holds at least 2 private discussions with the External Auditors without the presence of the Management, to ensure that their independence is not compromised and any matters that may warrant the Audit Committee's attention. 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 82 to 84 of this Annual Report.

The audit fees for the financial year ended 31 December 2014 are detailed below:-

	Group RM'000	Company RM'000
Auditors' fees:		
- statutory audits	750	131
- other services		
• review of interim financial information for the period ended 30 September 2014	100	9
• other regulatory related fee (PIDM agreed-upon procedures)	16	-
• review of Statement on Risk Management and Internal Control	10	10

STATEMENT ON CORPORATE GOVERNANCE

4. SHAREHOLDERS AND INVESTORS ENGAGEMENT

Communication with Shareholders/Investors

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

In maintaining the commitment to effective communication with shareholders and stakeholders, the Company adopts the practice of comprehensive, accurate and timely disclosures of information to its shareholders as well as to the general investing public in accordance with the requirements of the Listing Requirements, to enable them to make informed investment decisions.

The Board is mindful that material information affecting the Group must be announced immediately via Bursa Securities to the shareholders and investing public and that price sensitive information must be handled in a strictly confidential manner within the Group. Internal procedures have been put in place to ensure that material information released to the shareholders and investing public are accurate, comprehensive and not misleading and that price sensitive information are handled properly to avoid any leakage and improper use of such information by the relevant parties. In addition, the Board also stresses on equal dissemination of information to shareholders and stakeholders.

Information in respect of the Group is disseminated through the following avenues:-

(a) Quarterly Report

Information in respect of the Group's financial results, business review, future prospect, corporate exercises and other material information in relation to the development of the Group are disclosed in the Quarterly Report of the Group.

Immediately following the release of the Quarterly Report to Bursa Securities, a press release in respect thereto will be issued by the Group. The Quarterly Report, press release and analysts briefing presentation are subsequently published on the website of the Group.

(b) Annual Report

The Group's Annual Report provides a comprehensive report on, among others, the Group's audited financial statements, review of the operational and financial performance, business development and strategy, industry outlook and future prospects, corporate responsibility activities and sustainability development, risk management and internal control activities and corporate governance development.

Annual Reports are despatched to shareholders in CD ROM format and hard copy will be made available to shareholders upon request. It is also published in the website of the Group upon its issuance to the shareholders and release to Bursa Securities.

(c) Corporate Announcements

Corporate announcements contain material information that may affect the interest of the shareholders and other announcements as may be required by the Listing Requirements will be released to Bursa Securities on a timely manner. Such announcements are also disseminated to Senior Management via email and made available in the website of the Group immediately after released to Bursa Securities.

STATEMENT ON CORPORATE GOVERNANCE

(d) Investor Relations

The Senior Management comprising the Chief Executive Officer and Chief Financial Officer of the Group holds quarterly briefing for fund managers and research analysts on the quarterly performance and business development and progress of the Group. Such briefing is normally conducted on the next working day after the release of the Group's Quarterly Report to Bursa Securities.

The quarterly briefing also serves as a platform of dialogue between the fund managers and research analysts with the Senior Management of the Group, where the fund managers and research analysts are able to raise questions and seek clarification from the Senior Management on pertinent issues relating to the Group.

In order to ensure that shareholders and investing public have equal access of the presentation slides for the briefing, the presentation slides are published on the website of the Group immediately after the Group released its Quarterly Report to Bursa Securities.

In addition, the Senior Management also holds separate meetings with the potential investors and fund managers throughout the year to provide the overview of the operation and business prospects of the Group.

(e) Designated Person to handle Investor Relations

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

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

Ms. Joannica Dass

Group Head of Corporate Communications

Tel: 03-22640780

E-mail: joannica.dass@allianz.com.my

(f) Press Releases

Press releases on corporate developments and initiatives are also issued by the Group to provide the stakeholders with the up-to-date information in respect of the Group.

Media meetings and interviews are also initiated to provide wider publicity and understanding of the Group's business activities and strategies.

(g) Website - www.allianz.com.my

The Group's website at www.allianz.com.my, provides the avenue for the shareholders, investing public and other stakeholders to access 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 briefings and Annual General Meeting.

In addition, an enquiry tab is also provided in the website to enable the shareholders, stakeholder and general public to make enquiries.

STATEMENT ON CORPORATE GOVERNANCE

(h) Facebook - www.facebook.com/AllianzMalaysia

The Group's Facebook page is another avenue for the Group to engage with shareholders, stakeholders and general public in an interactive way. Through the Facebook page, latest news of the Group are provided to the shareholders, stakeholders and general public and they are able to provide their complaints, comments, suggestions and feedback to the Group.

General Meetings

The Annual General Meeting is the principal forum to communicate with the shareholders. At the 40th Annual General Meeting, all Directors were present at the 40th Annual General Meeting to engage directly with the shareholders and to address concerns that may be raised by the shareholders.

The notice of Annual General Meeting and the related circular to shareholders are despatched to shareholders at least 21 days prior to the Annual General Meeting in accordance with the Listing Requirements, to provide sufficient time for the shareholders to review the Group's financial and operational performance and to evaluate the resolutions tabled at the Annual General Meeting.

At the Annual General Meeting of the Company, the Chairman highlights to the shareholders present of their right to demand for a poll, the Chief Executive Officer and Chief Financial Officer present comprehensive review of the Group's financial performance, business development, corporate responsibility activities and other significant matters that required the attention of the shareholders. Shareholders are encouraged to raise questions or seek clarification pertaining to the operations, financial and business related issues and any other related matters to the agenda of the Annual General Meeting. Members of the Board, Senior Management and the External Auditors are present at the Annual General Meeting to respond to questions raised by the shareholders. Suggestions received from the shareholders during the Annual General Meeting, where applicable, will be evaluated and considered for implementation by the Board.

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

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 2014 is presented on page 277 of this Annual Report.

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 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 2014 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.

The RMFM is in compliance with the relevant Bank Negara Malaysia ("BNM") guidelines and policies.

The system of risk governance process is integrated into the core management processes and formed part of the daily business process so that a value-added contribution in terms of sustainable competitive advantage and improved business performance can be established. Various standards are implemented by the Group, including organisational structure, risk strategy, written policies, limits, system documentation and reporting, to ensure accurate and timely flow of risk-related information and a disciplined approach towards decision making and execution.

The Group also adopts the three 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- 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 its oversight function effectively while the Risk Management Working Committee will drive the risk management framework of the Group and report regularly 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 independent 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 internal audit personnel are independent from the day-to-day activities of the Group and have unrestricted access to all activities conducted by the Group.

The audit scope covers auditable areas encompassing financial operations, product development, 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 plans as well as progress of the audit plan.

Other Key Internal Control Process

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

Clear and Defined Organisational Structure

- The Group has established an organisational structure with clearly defined lines of responsibility, authority limits and accountability aligned to its business and operation requirements and control environment. Relevant Board Committees with specific responsibilities delegated by the Board are established to provide oversight governance over the Group's activities. The 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Management Authority Limit

- The Board's approving authority is delegated to the Management through formal and defined operational authority limits that governs business procedures and decision making process in the Group. The operational authority limits 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. Such authority limits are documented and made available to all staff via the Group's staff e-portal.

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

Policies and Procedures

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

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

The Group consistently informs and reminds its employees on the various policies approved and/or adopted by the Board. Policies are also made available via the Group's staff e-portal for easy access by the employees.

Annual Business Plan and Performance Review

- Annual business plans 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.

Internal Capital Adequacy Assessment Process ("ICAAP")

- ICAAP is an overall process where all its insurance OEs are required to adopt to ensure that it has adequate capital to meet its capital requirements that reflects its own risk profile on an ongoing basis. This formal assessment will be conducted at least on an annual basis based on its annual business plans, business strategy and appetite. Its results will be reported to the OEs Board.

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

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

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

- The Group has in place internal policies and procedures relating to AML/CFT to prevent and detect money laundering and terrorism financing activities. In Allianz Life Insurance Malaysia Berhad ("ALIM"), these include customer due diligence, screening against sanctions list and suspicious transaction reporting to the Compliance Department whereas in Allianz General Insurance Company (Malaysia) Berhad ("AGIC"), sanctions list screening procedures are in place and any suspicious transactions are reported to the Compliance Department. In respect of education, staff and agents of ALIM are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identity and reporting of suspicious transactions.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Whistleblowing and Anti-Fraud

- The oversight of whistleblowing and fraud matters of the Group is performed by the AMB Integrity Committee ("InC"). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.
- The Group has adopted the Group Anti-Fraud Policy and the Group Whistleblowing Policies and Procedures to address fraud and whistleblowing issues respectively. The Group Anti-Fraud Policy defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The Group Whistleblowing Policies and Procedures on the other hand, describe the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.
- In respect of whistleblowing, the Group has an established whistleblowing mechanism in place to enable anonymous and non-anonymous reporting of any breach of the COC, any laws, regulations, orders or any internal rules. These whistleblowing cases are assessed confidentially by the InC to determine the validity and appropriate actions to be taken.

Anti-corruption

- The Group has adopted Allianz SE Group's Anti-Corruption Policy which serves to outline the Group's existing controls and behavioral guidelines on the risk areas of dealing with government officials, business courtesies, hiring of representatives, political contributions, joint ventures and outsourcing agreements as well as facilitation payments.
- The Vendor Integrity Screening process which is a part of the Allianz SE Group's Anti-Corruption Programme is aimed at ensuring an integrity based due diligence before any third party vendor is engaged. The screening contains a self-assessment section which amongst others includes questions on anti-corruption to be answered by the potential vendor and a risk evaluation to be completed by the relevant staff/department in charge. Only those vendors whose screening does not reveal any negative findings will be engaged.

Sales Policy and Sales Agent Code of Conduct

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

Agent Sales Compliance Disciplinary Policy

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

Business Continuity Management

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

The testing for Business Continuity Plan for all critical business functions and Disaster Recovery Plan test for all main application systems had been conducted during the financial year ended 31 December 2014 and the findings were reported to the respective OE Boards' information.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Human Resources Policies and Procedures

- The Group has established proper policies and procedures on human resource management, including recruitment, training, appraisal, promotion, resignation, termination and remuneration. These policies and procedures are reviewed as and when the need arises and changes effected are communicated to relevant employees via-email or through memorandum. The policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.

The Group aims to equip employees with the relevant knowledge, skills and competencies required for their roles and responsibilities through structured 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.

Talent development is another key focus area of the Group. As part of ongoing efforts in promoting a culture of high performance and in retaining key staff, the Group has embarked on a systematic approach for identifying and developing these talents. Through the annual Career Development Conference, the Management team is updated on the career and development progress of these individuals.

Review of Statement on Risk Management and Internal Control

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the annual report of the Group for the year ended 31 December 2014, and reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

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

The 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 2014 and up to the date of this Statement, the Management has not identified any significant deficiencies in the design or operation of risk management and internal controls of the Group that could adversely affect the Group's ability in meeting its business objectives.

Additionally, the Internal Auditors of the Group have also reviewed this Statement and reported to the Audit Committee that, save for 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 20 March 2015.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2014, there were no proceeds raised from corporate proposals.

2. SHARE BUY-BACKS

During the financial year ended 31 December 2014, there were no share buy-backs by the Company.

3. OPTIONS OR CONVERTIBLE SECURITIES

During the financial year ended 31 December 2014, the Company has not issued any option or convertible securities.

During the financial year ended 31 December 2014, the Company increased its issued and paid-up ordinary share capital to RM167,488,263 by way of the issuance of 6,736,325 ordinary shares of RM1.00 each pursuant to the conversion of 6,736,325 Irredeemable Convertible Preference Shares ("ICPS") of RM1.00 each to ordinary shares of RM1.00 each of the Company. Accordingly, the ICPS issued and paid-up share capital was reduced to RM178,717,522 as at 31 December 2014.

4. DEPOSITORY RECEIPT PROGRAMME

During the financial year ended 31 December 2014, the Company did not sponsor any depository receipt programme.

5. SANCTIONS AND/OR PENALTIES

Save for the tax penalty of RM180,163 imposed by the Inland Revenue Board to the Company's subsidiary for additional tax assessment for the year of 2007 and 2008, there were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or Management by any regulatory bodies during the financial year ended 31 December 2014.

6. NON-AUDIT FEES

The amount of non-audit fees paid to External Auditors, Messrs. KPMG by the Group for the financial year ended 31 December 2014 amounted to RM126,000.

7. VARIATION IN RESULTS

There was no profit forecast issued by the Group during the financial year ended 31 December 2014.

8. PROFIT GUARANTEE

During the financial year ended 31 December 2014, there was no profit guarantee given by the Company.

9. MATERIAL CONTRACTS

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

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

Save as disclosed above, the Company and its subsidiaries have not entered into any material contracts involving the interest of the Directors and major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2014 or, had been entered into since the end of the previous financial year.

ADDITIONAL COMPLIANCE INFORMATION

10. ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2015

10.1 ORDINARY SHARE OF RM1.00 EACH

Authorised Share Capital	: RM600,000,000
Issued and Paid-up Share Capital	: RM168,127,672
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	64	3.19	427	0.00
100 to 1,000	1,141	56.91	376,275	0.22
1,001 to 10,000	554	27.63	2,191,894	1.30
10,001 to 100,000	178	8.88	5,967,300	3.55
100,001 to less than 5% of issued shares	67	3.34	44,229,481	26.31
5% and above of issued shares	1	0.05	115,362,295	68.62
Total	2,005	100.00	168,127,672	100.00

SUBSTANTIAL SHAREHOLDER

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of Shares Held	% of Shares	No. of Shares Held	% of Shares
Allianz SE	115,362,295	68.62	-	-

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

ADDITIONAL COMPLIANCE INFORMATION

10. ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2015 (CONTINUED)

10.1 ORDINARY SHARE OF RM1.00 EACH (Continued)

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

Name of Shareholders		No. of Shares Held	% of Shares
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	115,362,295	68.62
2	Pertubuhan Keselamatan Sosial	4,388,322	2.61
3	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	3,252,000	1.93
4	Amanahraya Trustees Berhad Public Smallcap Fund	3,020,200	1.80
5	Citigroup Nominees (Tempatan) Sdn Bhd Kumpulan Wang Persaraan (Diperbadankan) (Aberdeen)	2,831,700	1.68
6	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	2,547,400	1.52
7	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	1,919,900	1.14
8	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	1,793,700	1.07
9	Citigroup Nominees (Tempatan) Sdn Bhd Bank Negara Malaysia National Trust Fund (Hwang)	1,724,100	1.03
10	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Income Fund (4850)	1,331,575	0.79
11	HSBC Nominees (Asing) Sdn Bhd Exempt AN for BNP Paribas Securities Services (CLT Asset-AI FM)	1,053,300	0.63
12	HSBC Nominees (Asing) Sdn Bhd HSBC-FS for Asia Discovery Emerging Companies Master Fund Pte. Ltd.	1,000,000	0.59
13	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	985,900	0.59
14	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	972,900	0.58
15	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Saham Amanah Sabah (ACC 2-940410)	953,500	0.57
16	CIMB Group Nominees (Tempatan) Sdn Bhd CIMB Islamic Trustee Berhad for Affin Hwang Select Dividend Fund	863,500	0.51
17	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Manulife Investment - HW Flexi Fund (270519)	807,500	0.48
18	Lim Su Tong @ Lim Chee Tong	802,000	0.48

ADDITIONAL COMPLIANCE INFORMATION

10. ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2015 (CONTINUED)

10.1 ORDINARY SHARE OF RM1.00 EACH (Continued)

THIRTY LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS (CONTINUED)

	Name of Shareholders	No. of Shares Held	% of Shares
19	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	735,000	0.44
20	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	693,409	0.41
21	Amanahraya Trustees Berhad Public Strategic Smallcap Fund	618,700	0.37
22	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund 62L2 for USAA Emerging Markets Fund	573,100	0.34
23	AMSEC Nominees (Tempatan) Sdn Bhd Lim Su Tong @ Lim Chee Tong (8335-1101)	500,000	0.30
24	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Quantum Fund (4579)	471,850	0.28
25	Citigroup Nominees (Tempatan) Sdn Bhd Universal Trustee (Malaysia) Berhad for CIMB-Principal Equity Fund	436,900	0.26
26	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Asia (Ex Japan) Opportunity Fund (5410)	406,900	0.24
27	Jaya Kumar A/L Ganason @ Kanajan	400,000	0.24
28	Insas Plaza Sdn Bhd	392,200	0.23
29	Citigroup Nominees (Asing) Sdn Bhd CB Spore GW for Firth Asian Smaller Companies Fund	387,225	0.23
30	DB (Malaysia) Nominee (Asing) Sdn Bhd State Street Australia Fund UAQV for DWS Asia Premier Trust	383,300	0.23

ADDITIONAL COMPLIANCE INFORMATION

10. ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2015 (CONTINUED)

10.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Authorised Share Capital	: RM400,000,000
Issued and Paid-up Share Capital	: RM178,078,113
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.

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	% of ICPS Holders	No. of ICPS Held	% of ICPS
Less than 100	20	2.87	456	0.00
100 to 1,000	352	50.58	88,670	0.05
1,001 to 10,000	187	26.87	728,379	0.41
10,001 to 100,000	98	14.08	2,930,396	1.64
100,001 to less than 5% of issued ICPS	38	5.46	30,127,344	16.92
5% and above of issued ICPS	1	0.14	144,202,868	80.98
Total	696	100.00	178,078,113	100.00

DIRECTORS' HOLDINGS IN ICPS

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

^ Negligible

ADDITIONAL COMPLIANCE INFORMATION

10. ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2015 (CONTINUED)

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

THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS

Name of ICPS Holders		No. of ICPS Held	% of ICPS
1	Citigroup Nominees (Asing) Sdn Bhd Allianz SE	144,202,868	80.98
2	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	5,624,400	3.16
3	Pertubuhan Keselamatan Sosial	4,489,100	2.52
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (AFFIN-HWG)	3,263,625	1.83
5	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	3,123,875	1.75
6	Amanahraya Trustees Berhad Public Smallcap Fund	2,771,000	1.56
7	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Opportunity Fund (3969)	1,405,000	0.79
8	HSBC Nominees (Asing) Sdn Bhd CACEIS BK FR for HMG Globetrotter	887,900	0.50
9	Nahoorammah A/P Sithamparam Pillay	801,000	0.45
10	Neoh Choo Ee & Company, Sdn. Berhad	627,500	0.35
11	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Bank Lombard Odier & Co Ltd	600,000	0.34
12	Sai Yee @ Sia Say Yee	574,900	0.32
13	Olive Lim Swee Lian	505,000	0.28
14	Au Yong Mun Yue	500,000	0.28
15	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Exempt AN for Affin Hwang Asset Management Berhad (TSTAC/CLNT-T)	497,918	0.28
16	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Affin Hwang Select Balanced Fund (4405)	466,509	0.26
17	HSBC Nominees (Tempatan) Sdn Bhd HSBC (M) Trustee Bhd for Pertubuhan Keselamatan Sosial (AFF HWG6939-403)	416,125	0.23
18	Employees Provident Fund Board	334,625	0.19
19	AMSEC Nominees (Tempatan) Sdn Bhd Aberdeen Asset Management Sdn Bhd for Tenaga Nasional Berhad Retirement Benefit Trust Fund (FM-Aberdeen)	285,700	0.16
20	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Su Ming Keat	220,000	0.12
21	Loh Chai Kiam	219,000	0.12

ADDITIONAL COMPLIANCE INFORMATION

10. ANALYSIS OF SHAREHOLDINGS AS AT 7 APRIL 2015 (CONTINUED)

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

THIRTY LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS (CONTINUED)

	Name of ICPS Holders	No. of ICPS Held	% of ICPS
22	AMSEC Nominees (Tempatan) Sdn Bhd Lim Su Tong @ Lim Chee Tong (8335-1101)	200,000	0.11
23	Dynaquest Sdn. Berhad	192,000	0.11
24	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB for Noble Sound Sdn Bhd (PB)	175,000	0.10
25	Lim Tean Kau	165,000	0.09
26	CIMSEC Nominees (Tempatan) Sdn Bhd Exempt AN for CIMB Securities (Singapore) Pte Ltd (Retail Clients)	150,000	0.08
27	Maybank Nominees (Tempatan) Sdn Bhd Affin Hwang Asset Management Berhad for Malaysian Agents Provident Fund (AIA Ltd)	149,117	0.08
28	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Beh Lee Fong (E-SS2)	139,000	0.08
29	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad for Malaysian Timber Council	136,750	0.08
30	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Affin Hwang Asset Management Berhad for Malaysian Timber Council (Operating Fund)	130,000	0.07

ADDITIONAL COMPLIANCE INFORMATION

11. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2014 OWNED BY THE GROUP

No	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Level 10, 12, 13, 13A & 15 Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Wilayah Persekutuan	Head office	Freehold	3,745	Corporate office	13 years	1/6/2012	37,647
2	Wisma Allianz No. 33, Jalan Gereja 50100 Kuala Lumpur Wilayah Persekutuan	Branch office	Lot PT1- Leasehold Expiring 9/6/2072	3,712	Office building	31 years	27/4/2011	4,266
			Lot 263 Freehold			33 years	27/4/2011	5,986
3	Wisma Allianz Life No. 11, 12, 13 and 14 Jalan 53, Desa Jaya Commercial Centre Taman Desa, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 8/3/2081	2,500	Terrace shop / office	29 years	21/10/2011	4,574
4	No. 42 & 46, Jalan Tiara 2C Bandar Baru Klang, Klang 41150 Selangor Darul Ehsan	Branch office	Leasehold Expiring 8/5/2093	1,228	Terrace shop / office	12 years	20/10/2011	3,800
5	Unit Nos. A-G-1, A-1-1, A-2-1, A-2-2 Block A, Greentown Square Jalan Dato' Seri Ahmad Said, Ipoh 30450 Perak Darul Ridzuan	Branch office	Leasehold Expiring 8/5/2093	882	Commercial building	9 years	20/10/2011	2,604
6	No. 1, Phase 4A, Metro Prima Business Centre Jalan Prima 9, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 2/4/2096	1,196	Terrace shop / office	17 years	27/12/2011	2,168
7	No.15, Jalan 8/1D Section 8, Petaling Jaya 46050 Selangor Darul Ehsan	Branch office	Leasehold Expiring 7/8/2066	697	Terrace shop / office	48 years	25/4/2011	1,796
8	Lot 30, Block E Sedco Complex, Jalan Albert Kwok Locked Bag 69 Kota Kinabalu, 88000 Sabah	Branch office	Leasehold Expiring 3/12/2073	557	4-storey office building	32 years	21/4/2011	1,684

ADDITIONAL COMPLIANCE INFORMATION

11. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2014 OWNED BY THE GROUP (CONTINUED)

No	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
9	No. 300 & 301 Jalan Lumpur, Alor Setar 05100 Kedah Darul Aman	Branch office	Freehold	1,088	Terrace shop / office	11 years	3/5/2011	1,510
10	No. 487, Jalan Permatang Rawa Bandar Perda, Bukit Mertajam 14000 Penang	Branch office	Freehold	758	4-storey shop office	16 years	6/10/2011	1,408

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 2014 were as follows:-

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
a) Reinsurance arrangements between the Company's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangements entered into between the parties*	**Allianz SE Group	(305,648)
b) Payment of fees by the Company's general insurance subsidiary to Allianz SE Group for risk management services provided by Allianz SE Group pursuant to the reinsurance arrangements entered into between the parties	**Allianz SE Group	(383)
c) Payment of annual maintenance and support fees by the Company's life insurance subsidiary to Allianz Managed Operations And Services SE ("AMOS") for the software system provided by AMOS	**AMOS	(246)
d) Payment of fees by the Company's life insurance subsidiary to IDS GmbH ("IDS") for conducting performance attribution analysis	**IDS	(5)
e) Payment of fees by the Group to AMOS for sharing of Allianz Worldwide Intranet Network	**AMOS	(222)
f) Investment and redemption of funds (including fund management fees) distributed by Allianz Global Investors Singapore Limited ("AGI") by the Company's life insurance subsidiary	**AGI	2,815
g) Payment of fees by the Group to Allianz Investment Management Singapore Pte Ltd ("AIM Singapore") for investment advisory services provided by AIM Singapore	**AIM Singapore	(1,866)
h) Payment of fees by the Group to Allianz SE for sharing of marketing measures undertaken by Allianz SE	**Allianz SE	(2,071)
i) 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 the policyholders of the Company's general insurance subsidiary	**Mondial	(7,706)
j) Payment of fees by the Group to AMOS for sharing of Human Resource database platform	**AMOS	(59)

ADDITIONAL COMPLIANCE INFORMATION

12. RECURRENT RELATED PARTY TRANSACTIONS (CONTINUED)

Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
k) Payment of fees by the Company's insurance subsidiaries to AMOS for purchasing of various software licenses	**AMOS	(49)
l) Payment of fees by the Company's insurance subsidiaries to RCM Asia Pacific Limited ("RCM") for sharing of AGI Global Bloomberg Asset & Investment Manager database, IT support, maintenance and execution of equity transactions provided by RCM to the Company's insurance subsidiaries	**RCM	(543)
m) Operational fees received by the Company's general insurance subsidiary for the services rendered by the Company's general insurance subsidiary to Euler Hermes Singapore Services Pte Ltd ("EHS")	**EHS	110
n) Payment of Relationship Manager fees for services provided by Allianz SE Singapore Branch to the Company's life insurance subsidiary in relation to the bancassurance partnership between the Company's life insurance subsidiary and HSBC Bank Malaysia Berhad	**Allianz SE Singapore Branch	600
o) Payment of fees by the Company's insurance subsidiaries to Allianz Investment Management SE ("AIM SE") and IDS for IT Infrastructure and operational investment controlling and support services.	**AIM SE	(280)
p) Payment of legal fees by the Company's general insurance subsidiary to Shook Lin & Bok	***Shook Lin & Bok	(108)
q) Fees received by the Company for the provision of regional audit services by the Company to Allianz SE Singapore Branch	**Allianz SE Singapore Branch	863

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.
- *** Shook Lin & Bok, is one of the panel of non-motor solicitors to the Company's general insurance subsidiary, of which the son of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy, an Independent Non-Executive Director of the Company, is a Partner of Shook Lin & Bok.

2014 CALENDAR OF MOMENTS

JAN
2014

National Sales Seminar and Budget Meeting

The first combined nationwide National Sales Seminar and Budget Meeting was held at the Equatorial Hotel, Malacca from 23 to 25 January 2014. The meeting, attended by relevant employees was successful as everyone not only got together to share plans, strategies and ideas, but also many fond memories.



Allianz Hosts Media Dinner

On 28 January 2014, Allianz Malaysia hosted a media dinner at Café Barbera, Kuala Lumpur. This event was specially organised to show appreciation for the support that the media has given Allianz Malaysia and to welcome the year 2014.



FEB
2014

2014 MDRT Experience

The Million Dollar Round Table ("MDRT") Experience was held for the first time in Kuala Lumpur from 13 to 15 February 2014 and Allianz was the Gold Sponsor for the event. The three-day event included motivational and inspirational presentations.



MAR
2014

Fun Run in Port Dickson

On 2 March 2014, Allianz Malaysia introduced its very first Fun Run through its Allianz Pacer Running Community at Jalan Pantai, Port Dickson, Negeri Sembilan. About 200 participants joined in the run which stretched up to 5.5 kilometres along the shores of the Port Dickson beach.



Global Money Week

For the second year running, Allianz Malaysia celebrated Global Money Week with a series of activities held from 8 to 24 March 2014 to raise awareness on financial education and inclusion for young people. This included My Finance Coach classes and educational visits to Bursa Malaysia and Bank Negara Malaysia's Museum and Art Gallery.



2014 CALENDAR OF MOMENTS

International Women's Day

In conjunction with the International Women's Day on 8 March, Allianz Malaysia invited about 20 women from the media to a Spa party on 10 March 2014. This invitation was a gesture of appreciation for the media's support over the years.



Allianz Charity Day

Allianz Life's agency force held its first Allianz Charity Day nationwide on 15 March 2014. The event was a way to give back to the less fortunate community. 800 agents from 89 different agencies across Malaysia were part of this initiative where each agency selected a home or activity to celebrate with.



Community Health Awareness Day

On 21 March 2014, Allianz General held a Community Health Awareness Day in Negeri Sembilan; reaching out to the local community and providing them with easy accessibility to health screenings.



Karnival Mesra

Allianz Malaysia organised 'Karnival Mesra' at the Port Dickson Waterfront, Negeri Sembilan on 22 and 23 March 2014 for its customers and the general public alike. On both days, free health screenings were conducted as part of Allianz Malaysia's call to promote a healthy lifestyle.



APR
2014

Allianz Pacer Application Launch

On 1 April 2014, the Allianz Pacer mobile running application was launched. The application supports the Allianz Pacer Running Community's objective of encouraging a healthier lifestyle for all. With this application, users are able to track and record their running data including running distance, calories burnt and location of runs.



2014 CALENDAR OF MOMENTS

Appointment of Regional Chief Underwriter

Allianz Life's Head of Underwriting, Ho Ai Mee was appointed as Regional Chief Underwriter for Asia Pacific, with effect from 1 April 2014. Ho assumed part of the responsibilities of Ivanka Williams who was appointed as the new Global Head of Underwriting and Claims. Ho also continues with her role as Allianz Life's Head of Underwriting.



Health Day 2014

In a continuous effort to promote health and awareness, the Human Resource Department organised a Health Day session on 17 April 2014 to provide employees with free health checks. Screenings were offered to employees in Head Office and Klang Valley branches where a total of 160 employees attended.



2014 EB Awards and Recognition

The 2014 Employee Benefits ("EB") Awards & Recognition Night, the biggest event to recognise and award top EB agents, was held on 17 April 2014 at Aloft Hotel in Kuala Lumpur. The event saw about 100 guests participating.



Allianz Malaysia Reaches 100,000 Fans on Facebook

On 24 April 2014, Allianz Malaysia reached 100,000 fans on its Facebook page as it continues to reach out to customers and the general public through social media. Afifi Nazari from Selangor became the 100,000th fan on Allianz Malaysia's Facebook page and was rewarded with surprise goodies. He also received a special congratulatory message on the page.



MAY
2014

'1 Thing That Matters' Campaign

Allianz Malaysia launched its new campaign, '1 Thing That Matters' on 14 May 2014. The concept of this campaign is to encourage individuals to start thinking about important things that matter most to them because Allianz cares to make sure that they are well protected.



2014 CALENDAR OF MOMENTS

'KampungKu' Matters to the Rural Community

Allianz General launched a brand new product, 'KampungKu' on 19 May 2014 at Wisma Allianz, Kuala Lumpur. 'KampungKu' is a first of its kind introduced specially for rural area dwellers. It is a Basic Material Damage Insurance product which provides coverage to the rural area homes. Just about two weeks before the launch, Allianz General brought the 'kampung' scene to life through a mural painting just outside Wisma Allianz.



Allianz Road Safety Tips Booklet

Allianz Malaysia launched the Allianz Road Safety Tips Booklet on 22 May 2014 at Sekolah Kebangsaan St. Agnes, Kota Kinabalu, Sabah to instil road safety awareness among children. This Booklet was developed internally in consultation with Jabatan Keselamatan Jalan Raya ("JKJR"). It caters for children aged 4-12 years old and contains handy tips on road safety. It is a fun tool for children to learn about road safety.



A Colourful Weekend

Allianz Pacer organised "A Dash of Colour" ("ADOC") run at Putrajaya Wetlands on 25 May 2014. The seven-kilometre run, along flat land and trails featured colour stations at every kilometre, where approximately 1,300 runners were splashed with 'coloured' powder as they ran past. Participants each received a goodies bag at the finishing line.



2014 Agency Awards Night

The 2014 Agency Awards Nite was held on 28 May 2014 at the Genting International Convention Centre for top Allianz Life agents. This awards ceremony recognises the effort taken by agents in providing the best insurance solutions and service to customers.



**JUN
2014**

'Bike Warrior' Launched

Allianz General launched a brand new product, 'Bike Warrior', a first of its kind introduced especially for superbikes on 2 June 2014 at Hard Rock Café, Kuala Lumpur. 'Bike Warrior' is a Personal Accident and Roadside Assistance product for those who own superbikes that are 250cc and above.



2014 CALENDAR OF MOMENTS

Paper Recycling Campaign

In conjunction with World Environment Day celebrated on 5 June 2014, Allianz Malaysia conducted an internal paper recycling initiative nationwide. During the campaign, the 3R concept - to Reduce, Reuse and Recycle, was promoted. Each employee who brought a minimum of 2kg of paper for recycling received a special gift.



Movie with Media

On 13 June 2014, Allianz Malaysia hosted a dinner and movie night for media representatives at GSC Signature @ Gold Class 2, Gardens Mall, Kuala Lumpur. 17 media representatives from various newspapers, magazines and broadcasting channels attended this event.



40th Annual General Meeting

The 40th Annual General Meeting was successfully held at Intercontinental Hotel on 25 June 2014.



Training the Risk Engineers

Allianz Malaysia's Risk Engineers were the hosts for the Loss Control Engineering training held from 30 June to 4 July 2014 in Kuala Lumpur. The training brought together 17 technical personnel, mostly Risk Engineers as well as some Underwriters from Australia, China, India, Indonesia, Laos, Malaysia and Sri Lanka.



JUL
2014

Allianz Golf Camp

Rastam Ariffin Ahmad Khairuddin from Allianz General's Franchise Department was one of the lucky participants who attended the Allianz Golf Camp at the world's oldest and renowned golf course, St Andrews Links, Scotland. He was there between 5 and 9 July 2014 with his 16-year-old cousin, Umar Khusairi Bin Muhammad Kamal. The Camp brought young golfers from around the world for an opportunity to experience the golf course while undergoing professional training with their mentors.



2014 CALENDAR OF MOMENTS

Social Media World Cup Viewing

Allianz Malaysia held a World Cup viewing event at the Ampang Sports Planet to watch the final World Cup match between Germany and Argentina on 14 July 2014. In addition to the live streaming of the match, there were other activities such as face painting, photo session at the Allianz Arena, photo booth, open play futsal and dribbling.



29th AG Seminars & Recognition

The AG Seminar & Recognition was conducted at Sutera Harbour Hotel, Kota Kinabalu, Sabah on 16 July 2014. The seminar turned out to be one of the most memorable as it was the last event attended by former CEO, Jens Reisch.



Allianz Sports 2014

The Allianz Malaysia team brought home the bronze medal for the 4 x 100 track and field disciplines at the Allianz Sports 2014 in Zurich, Switzerland held between 17 and 19 July 2014.



AUG
2014

Allianz Malaysia Wins CR Award

Allianz Malaysia was awarded third place in the Edge Billion Ringgit Club Corporate Responsibility Award in the 'Below RM10 billion market capitalisation' category in August 2014. The Edge Billion Ringgit Club celebrates the largest and standout performers of the Malaysian corporate industry and evaluates companies' profitability, dividend payout and corporate social responsibility commitments.



GST Awareness Campaign

Allianz General organised a series of GST Awareness Campaign for its agents and business partners. The first two sessions were held on 18 August 2014 in Kuala Lumpur with more than 320 participants attending. The following sessions were held on 9 September 2014 in Perai, Penang and on 19 September 2014 in Kota Kinabalu, Sabah.



2014 CALENDAR OF MOMENTS

First Primary School Road Safety Advocacy Campaign in East Malaysia

Allianz Malaysia held a Road Safety Advocacy Campaign at Sekolah Kebangsaan Green Road, Kuching on 27 August 2014 - its first ever campaign in East Malaysia. The campaign is part of the Company's efforts to instil road safety awareness among the general public, including students.



Allianz Junior Football Camp

On 29 August 2014, the four young Malaysian football players who attended the 2014 Allianz Junior Football Camp ("AJFC") in Munich and the nine boys who attended the camp in Bali were welcomed home. They were picked among 700 teenagers who turned up at the two-day selection matches in Shah Alam, Selangor.



My Finance Coach Exchange Programme

At the end of August, My Finance Coach Malaysia reached a new milestone as it took part in the first ever My Finance Coach Exchange programme. Three Finance Coaches from Malaysia went to Jakarta to meet and teach with Finance Coaches in Indonesia.



SEP
2014

Zakri Mohd Khir Appointed CEO of Allianz Malaysia Berhad

Zakri Mohd Khir was formally appointed as CEO of Allianz Malaysia Berhad ("AMB") on 3 September 2014 following the approval received from Bank Negara Malaysia ("BNM"). He is the first Malaysian appointed as the Country Manager of Allianz Malaysia and CEO of AMB.



Donation Pledge

In conjunction with Malaysia Day, Allianz Malaysia organised a nationwide Blood Donation Drive and Organ Donation Pledge at nine locations between 16 and 25 September 2014. Through this event, a total of 492 individuals donated blood while 163 individuals pledged their organs.



2014 CALENDAR OF MOMENTS

100th Road Safety Advocacy Campaign

In conjunction with Malaysia Day, Allianz Malaysia held its historic 100th Road Safety Advocacy Campaign together with JKIR on 18 September 2014 in Kuala Lumpur.



'Allianz Pacer #Runfie'

The third Fun Run, 'Allianz Pacer #Runfie', was held at Taman Rekreasi Bukit Jalil, Kuala Lumpur on 21 September 2014. At the 5km run, participants passed three checkpoints which included superheroes, a Foam Tunnel and props to take 'selfies' with.



Innovation Incubator Workshop

From 22 to 26 September 2014, Allianz Malaysia hosted Allianz's first ever Innovation Incubator Workshop, on the topic of Accessibility for Persons with Disabilities ("PWD"). 26 internal and external participants collected information and experiences to understand the PWD point of view and challenges faced, before coming up with ideas of how Allianz Malaysia, as an insurer, could deal with the challenges observed.



Allianz Malaysia Gets 'Into the Customer's Shoes'

Employees from all over Malaysia were part of an experiential learning and role plays at KidZania Kuala Lumpur in conjunction with the second Anniversary of Allianz Academy. Themed "In the Customer's Shoes", the KidZania challenge was held from 29 September to 14 October 2014. 1,750 employees countrywide were divided into four teams and competed against each other to deliver FAST, EASY and RELIABLE service.



OCT
2014

Allianz Auto Assist Smartphone Application

Allianz General introduced the Allianz Auto Assist smartphone application on 7 October 2014. This application aims to assist customers who need immediate roadside assistance. It has six main features which include Breakdown Request and Emergency Numbers among others.



2014 CALENDAR OF MOMENTS

Allianz Booster Care Launched

On 16 October 2014, Allianz General launched the Allianz Booster Care – a medical top-up made easy with exceptional features. Aside from being the first to extend treatment coverage to Singapore, it offers high annual and lifetime limit. The Allianz Booster Care comes in five different plans to suit each customer's need and guarantees renewal up to the age of 80.



Allianz Amazing Hunt

Allianz Malaysia organised an 'Allianz Amazing Hunt 2014 – The Hunt for 1 Thing That Matters' for bloggers and friends on 18 October 2014 in Kuala Lumpur. The top 10 winners received prizes comprising of gadgets, shopping gift cards and dining vouchers. The event was a good opportunity for Allianz Malaysia to further strengthen its relationship with bloggers.



NOV
2014

Michael Diekmann in Kuala Lumpur

On 12 November 2014, a forum with Allianz SE CEO, Michael Diekmann was held at the Kuala Lumpur Convention Centre. It was attended by over 800 employees, regional office colleagues as well colleagues from Allianz Global Assistance and Euler Hermes. At the forum, Diekmann shared his personal and career experience as well as insights on the insurance industry. The forum ended with a Q&A session.



Allianz Malaysia at the Penang Bridge International Marathon

Allianz Malaysia co-sponsored The Penang Bridge International Marathon which was held on 16 November 2014. About 800 runners from Allianz, including employees, agents and business partners took part in the various categories. There were also many interesting booths that Allianz Malaysia set up at the vicinity for the participants.



New Manager Development Programme

The "New Manager Development Programme" was held for 25 newly promoted Managers on 19 and 20 November 2014 at Wisma Allianz. This programme is to equip participants with leadership skills as they transition into their new role.



2014 CALENDAR OF MOMENTS

A Friendly Golf Tournament

The yearly golf tournament was organised for about 40 golfers comprising representatives from the media and senior management on 20 November 2014. The tournament is aimed at creating stronger ties amongst Allianz Malaysia's senior management team and media representatives.



Allianz Malaysia Berhad Appoints a New Director

AMB has formally appointed Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz, as an Independent Non-Executive Director on 28 November 2014 following the approval granted by BNM.



Tall Tales and Karaoke

Allianz Toastmasters Club and Speakers' Dream Toastmasters jointly organised a Tall Tales Contest and Karaoke Singing Competition at Wisma Allianz on 29 November 2014, with 60 members from various clubs attending. Participants put up excellent speeches and during the second half, six karaoke singing competitors showcased their talent.



Best Reporting within an Annual Report

Allianz Malaysia was awarded the 'Best Reporting within an Annual Report' by ACCA Malaysia's Sustainability Reporting Awards ("MaSRA") 2014. The awards, in their 11th cycle in 2014, were created to reward companies for excellence in environmental, social and sustainability reporting and to provide a platform to recognise and celebrate organisations which report on their sustainability performance and impacts. At the core of the judging criteria are completeness, credibility and communication.



DEC
2014

Appointment of New CEO of Allianz Life

Rangam Bir was formally appointed as CEO of Allianz Life on 5 December 2014 following the approval received from BNM.



2014 CALENDAR OF MOMENTS

Oliver Bäte Visits Malaysia

On 8 December 2014, Oliver Bäte, Member of the Board of Management of Allianz SE, came for a short visit at the Head Office in Kuala Lumpur.



Crime Prevention and Survival Skills Programme

On 16 December 2014, Allianz Malaysia held a Crime Prevention and Survival Skills programme at the Pullman Hotels & Resorts in Kuching, Sarawak. Throughout 2014, Allianz Malaysia organised 11 Crime Prevention and Survival Skills Programmes nationwide, reaching nearly 1,000 employees, agents, business partners and customers.



Defensive Riding and Bikers Emergency Workshop

On 29 December 2014, a Defensive Riding and Bikers Emergency Workshop was organised for all Allianz Malaysia dispatch riders. 21 riders attended the workshop facilitated by Captain Bala from the Road Safety Marshal Club.





FINANCIAL STATEMENTS

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DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 2014.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Profit for the year attributable to owners of the Company	295,902	20,095

DIVIDENDS

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

- i) a first and final preference share dividend of 3.00 sen per Irredeemable Convertible Preference Share ("ICPS") under single tier system totaling RM5,383,000 in respect of the financial year ended 31 December 2013 on 6 August 2014;
- ii) a first and final ordinary share dividend of 2.50 sen per ordinary share under single tier system totaling RM4,169,000 in respect of the financial year ended 31 December 2013 on 6 August 2014;
- iii) an interim preference share dividend of 6.00 sen per ICPS under single tier system totaling RM10,723,000 in respect of the financial year ended 31 December 2014 on 30 January 2015; and
- iv) an interim ordinary share dividend of 5.00 sen per ordinary share under single tier system totaling RM8,375,000 in respect of the financial year ended 31 December 2014 on 30 January 2015.

The Directors do not recommend any final preference and ordinary dividend in respect of the financial year ended 31 December 2014.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

DIRECTORS OF THE COMPANY

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

Tan Sri Razali Bin Ismail (Chairman)

Foo San Kan

Dato' Dr. Thillainathan A/L Ramasamy

Tan Sri Datuk (Dr.) Rafiah Binti Salim

Zakri Bin Mohd Khir

Ong Eng Chow

Jens Reisch (resigned with effect from 10 July 2014)

Alexander Cornelius Ioannis Ankel (appointed on 17 March 2014 and resigned with effect from 14 July 2014)

Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz (appointed with effect from 28 November 2014)

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:

Interests in the Company:	Number of ordinary shares of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Zakri Bin Mohd Khir	100	-	-	100
Ong Eng Chow	100	-	-	100

Interests in the Company:	Number of ICPS of RM1.00 each			
	At 1.1.2014	Bought	Sold	At 31.12.2014
Zakri Bin Mohd Khir	200	-	-	200
Ong Eng Chow	100	-	-	100

Save as disclosed above, none of the other Directors holding office at 31 December 2014 had any interest in the ordinary shares and/or ICPS of the Company and of its related corporations during the financial year.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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 RM167,488,263 by way of the issuance of 6,736,325 ordinary shares of RM1 each pursuant to the conversion of 6,736,325 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 RM178,717,522 as at 31 December 2014.

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 share capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

OTHER STATUTORY INFORMATION

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

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

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

- (i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts 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

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

OTHER STATUTORY INFORMATION (CONTINUED)

- (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, the financial performance of the Group and of the Company for the financial year ended 31 December 2014 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

.....
Zakri Bin Mohd Khir

Kuala Lumpur,

Date: 27 February 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Assets					
Property, plant and equipment	3	114,379	116,486	276	425
Intangible assets	4	311,935	325,328	-	-
Investment properties	6	3,300	5,600	-	-
Investments in subsidiaries	7	-	-	1,128,699	1,084,521
Subordinated loan	15	-	-	54,300	54,300
Deferred tax assets	16	21,322	18,082	-	-
Reinsurance assets	11	1,318,213	1,266,704	-	-
Investments	8	9,208,241	7,997,409	11,279	19,916
Derivative financial assets	18	7,669	-	-	-
Current tax assets		728	3,363	73	558
Insurance receivables	9	197,613	163,041	-	-
Other receivables, deposits and prepayments	10	239,317	175,369	26,779	5,250
Deferred acquisition costs	5	77,426	68,881	-	-
Cash and cash equivalents		666,583	618,499	12,278	14,069
Total assets		12,166,726	10,758,762	1,233,684	1,179,039
Equity					
Share capital	19	167,488	160,752	167,488	160,752
Irredeemable Convertible Preference Shares	19	178,718	185,454	178,718	185,454
Reserves	20	1,943,573	1,677,976	633,692	642,247
Total equity attributable to owners of the Company		2,289,779	2,024,182	979,898	988,453
Liabilities					
Insurance contract liabilities	17	8,821,892	7,770,113	-	-
Deferred tax liabilities	16	142,777	127,179	32	25
Derivative financial liabilities	18	161	20,950	-	-
Other financial liabilities		5,739	3,612	-	-
Insurance payables	13	353,177	337,233	-	-
Other payables and accruals	14	374,315	351,782	253,754	190,561
Benefits and claims liabilities	12	167,702	117,858	-	-
Current tax liabilities		11,184	5,853	-	-
Total liabilities		9,876,947	8,734,580	253,786	190,586
Total equity and liabilities		12,166,726	10,758,762	1,233,684	1,179,039

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

STATEMENTS OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Operating revenue	21	4,376,184	3,649,389	23,196	44,656
Gross earned premiums	22(a)	4,000,791	3,330,255	-	-
Premiums ceded to reinsurers	22(b)	(746,458)	(475,842)	-	-
Net earned premiums		3,254,333	2,854,413	-	-
Investment income	23	375,393	319,134	23,196	44,656
Realised gains and losses	24	23,313	64,004	184	-
Fair value gains and losses	25	(15,872)	(72,857)	-	-
Fee and commission income	26(a)	98,785	94,184	-	-
Other operating income		22,204	11,134	1,893	833
Other income		503,823	415,599	25,273	45,489
Gross benefits and claims paid	27(a)	(1,600,463)	(1,273,418)	-	-
Claims ceded to reinsurers	27(b)	263,626	253,876	-	-
Gross change in contract liabilities	27(c)	(1,113,527)	(924,206)	-	-
Change in contract liabilities ceded to reinsurers	27(d)	160,390	(27,905)	-	-
Net benefits and claims		(2,289,974)	(1,971,653)	-	-
Fee and commission expense	26(b)	(574,894)	(535,418)	-	-
Management expenses	28	(436,026)	(400,024)	(2,597)	(2,563)
Other operating expenses		(33,732)	(23,686)	(2,521)	(3,286)
Other expenses		(1,044,652)	(959,128)	(5,118)	(5,849)
Profit before tax		423,530	339,231	20,155	39,640
Tax expense	29	(127,628)	(101,310)	(60)	(474)
Profit for the year		295,902	237,921	20,095	39,166

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 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the year		295,902	237,921	20,095	39,166
Other comprehensive loss, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets	8	(2,209)	(42,937)	-	-
Tax effects thereon	29.2	554	10,752	-	-
		(1,655)	(32,185)	-	-
Total other comprehensive loss for the year, net of tax		(1,655)	(32,185)	-	-
Total comprehensive income for the year, net of tax		294,247	205,736	20,095	39,166
Profit attributable to:					
Owners of the Company		295,902	237,921	20,095	39,166
Total comprehensive income attributable to:					
Owners of the Company		294,247	205,736	20,095	39,166
Basic earnings per ordinary share (sen)	30(a)	178.49	149.24	-	-
Diluted earnings per ordinary share (sen)	30(b)	71.58	58.94	-	-

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Attributable to owners of the Company					Distributable		
		Non-distributable							
		Share capital	Preference shares	Share premium	Revaluation reserve	Fair value reserve	Life non-participating fund surplus*	Retained earnings	Total equity
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2013		158,636	187,570	424,823	25,122	19,347	279,420	745,868	1,840,786
Revaluation of property, plant and equipment		-	-	-	-	-	-	-	-
Fair value of available-for-sale financial assets		-	-	-	-	(32,185)	-	-	(32,185)
Total other comprehensive loss for the year		-	-	-	-	(32,185)	-	-	(32,185)
Profit for the year		-	-	-	-	-	42,740	195,181	237,921
Total comprehensive income for the year		-	-	-	-	(32,185)	42,740	195,181	205,736
Contributions by and distributions to owners of the Company									
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		2,116	(2,116)	-	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	-	(22,340)	(22,340)
Total transactions with owners of the Company		2,116	(2,116)	-	-	-	-	(22,340)	(22,340)
At 31 December 2013		160,752	185,454	424,823	25,122	(12,838)	322,160	918,709	2,024,182
		Note 19	Note 19	Note 20.1	Note 20.2	Note 20.3	Note 20	Note 20	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		Attributable to owners of the Company							
		Non-distributable					Distributable		
						Life non-participating fund surplus*			
Group	Note	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Total equity RM'000	
At 1 January 2014		160,752	185,454	424,823	25,122	(12,838)	322,160	918,709	2,024,182
Realisation of revaluation gain due to disposal of property, plant and equipment		-	-	-	(11)	-	11	-	
Fair value of available-for-sale financial assets		-	-	-	-	(1,655)	-	(1,655)	
Total other comprehensive loss for the year		-	-	-	(11)	(1,655)	11	(1,655)	
Profit for the year		-	-	-	-	-	56,394	239,508	295,902
Total comprehensive income for the year		-	-	-	(11)	(1,655)	56,394	239,519	294,247
Contributions by and distributions to owners of the Company									
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		6,736	(6,736)	-	-	-	-	-	-
Dividends to owners of the Company	31	-	-	-	-	-	(28,650)	(28,650)	
Total transactions with owners of the Company		6,736	(6,736)	-	-	-	(28,650)	(28,650)	
At 31 December 2014		167,488	178,718	424,823	25,111	(14,493)	378,554	1,129,578	2,289,779
		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.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

		← Attributable to owners of the Company →				
		← Non-distributable →		Distributable		
Company	Note	Share capital RM'000	Preference shares RM'000	Share premium RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2013		158,636	187,570	424,823	200,598	971,627
Profit for the year		-	-	-	39,166	39,166
Total comprehensive income for the year		-	-	-	39,166	39,166
Contributions by and distributions to owners of the Company						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		2,116	(2,116)	-	-	-
Dividends to owners of the Company	31	-	-	-	(22,340)	(22,340)
Total transactions with owners of the Company		2,116	(2,116)	-	(22,340)	(22,340)
At 31 December 2013 / 1 January 2014		160,752	185,454	424,823	217,424	988,453
Profit for the year		-	-	-	20,095	20,095
Total comprehensive income for the year		-	-	-	20,095	20,095
Contributions by and distributions to owners of the Company						
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		6,736	(6,736)	-	-	-
Dividends to owners of the Company	31	-	-	-	(28,650)	(28,650)
Total transactions with owners of the Company		6,736	(6,736)	-	(28,650)	(28,650)
At 31 December 2014		167,488	178,718	424,823	208,869	979,898
		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 2014

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash flows from operating activities				
Profit before tax	423,530	339,231	20,155	39,640
Investment income	(375,393)	(319,134)	(23,196)	(44,656)
Realised gains recorded in profit or loss	(23,236)	(64,004)	-	-
Fair value (gains)/losses on financial investments recorded in profit or loss	(6,248)	68,998	-	-
Purchase of held-to-maturity ("HTM") financial investments	(355,944)	(209,920)	-	-
Maturity of HTM financial investments	15,000	10,000	-	-
Purchase of available-for-sale ("AFS") financial investments	(980,001)	(1,200,355)	-	-
Maturity of AFS financial investments	337,000	296,500	-	-
Proceeds from sale of AFS financial investments	293,683	515,443	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	(280,982)	(493,375)	-	-
Maturity of DUIR financial investments	88,951	92,028	-	-
Proceeds from sale of DUIR financial investments	44,549	164,097	-	-
Purchase of held for trading ("HFT") financial investments	(727,635)	(569,961)	-	-
Maturity of HFT financial investments	53,960	9,500	-	-
Proceeds from sale of HFT financial investments	250,576	240,483	-	-
Purchase of derivative financial investments	(1,675)	(2,819)	-	-
Change in loans and receivables	(3,873)	(13,231)	8,637	(9,416)
Non-cash items:				
Change in fair value of investment properties	-	(638)	-	-
Change in fair value of AFS financial assets	29,020	(34,709)	-	-
Unrealised foreign exchange losses	566	2,552	-	-
Depreciation of property, plant and equipment	15,723	13,389	241	231
Amortisation of intangible assets	14,902	15,166	-	-
Gain on disposal of property, plant and equipment	(144)	-	(184)	-
Loss on disposal of investment properties	67	-	-	-
Impairment loss on AFS financial investments	22,120	4,497	-	-
Interest expense	7,463	4,310	2,335	2,297
Property, plant and equipment written off	3,637	16	2	1
Insurance and other receivables:				
- Bad debts written off	937	1,055	-	-
- Allowance/(Reversal) for impairment loss	5,459	(1,311)	-	-
- Bad debts recovered	(204)	(194)	-	-

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Changes in working capital:				
Change in reinsurance assets	(51,509)	(96,233)	-	-
Change in insurance receivables	(38,307)	(18,159)	-	-
Change in other receivables, deposits and prepayments	(65,440)	(1,427)	677	743
Change in deferred acquisition costs	(8,545)	(9,566)	-	-
Change in insurance contract liabilities	1,051,779	1,207,118	-	-
Change in other financial liabilities	2,127	(241)	-	-
Change in insurance payables	15,944	8,300	-	-
Change in other payables and accruals	(1,691)	(2,277)	44,078	30
Change in benefits and claims liabilities	49,844	33,045	-	-
Cash (used in)/generated from operations	(193,990)	(11,826)	52,745	(11,130)
Tax (paid)/refunded	(104,164)	(98,043)	432	(368)
Dividends received	27,005	26,847	-	41,527
Coupon interest received	347,506	293,563	990	789
Net cash from operating activities	76,357	210,541	54,167	30,818
Investing activities				
Investment in subsidiary	-	-	(44,178)	-
Proceeds from disposal of property, plant and equipment	343	3	193	-
Proceeds from disposal of investment property	2,233	-	-	-
Acquisition of property, plant and equipment	(17,452)	(19,460)	(103)	(85)
Acquisition of intangible assets	(1,509)	(51,164)	-	-
Net cash used in investing activities	(16,385)	(70,621)	(44,088)	(85)
Financing activities				
Dividends paid to owners of the Company	(9,552)	(22,340)	(9,552)	(22,340)
Repayment of finance lease liabilities	(18)	(43)	-	-
Interest paid	(2,318)	(1,155)	(2,318)	(1,155)
Proceeds from loan from holding company	-	54,300	-	54,300
Subordinated loan to a subsidiary	-	-	-	(54,300)
Net cash (used in)/generated from financing activities	(11,888)	30,762	(11,870)	(23,495)
Net increase/(decrease) in cash and cash equivalents	48,084	170,682	(1,791)	7,238
Cash and cash equivalents at 1 January	618,499	447,817	14,069	6,831
Cash and cash equivalents at 31 December	666,583	618,499	12,278	14,069
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	630,551	585,999	11,815	13,928
Cash and bank balances	36,032	32,500	463	141
	666,583	618,499	12,278	14,069

Included in the fixed and call deposits are RM63,324,000 (2013: RM66,385,000) held as cash collateral for guarantees issued on behalf of the policyholders (Note 13).

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

NOTES TO THE FINANCIAL STATEMENTS

PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

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 financial year ended 31 December 2014 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 2014 do not include other entities.

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

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

The financial statements were authorised for issue by the Board of Directors on 27 February 2015.

1. BASIS OF PREPARATION

1.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act, 1965 in Malaysia, Financial Services Act, 2013 ("FSA") and Guidelines/Circulars issued by Bank Negara Malaysia ("BNM").

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2014

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)*
- Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*
- Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*
- Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*
- Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interest in other Entities* and MFRS 128, *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements – Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements – Disclosure Initiatives*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets – Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture – Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements – Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

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

- from the annual period beginning on 1 January 2015 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for amendments to MFRS 1, amendments to MFRS 2 and amendments to MFRS 119 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for MFRS 14, amendments to MFRS 116 and MFRS 141 and amendments to MFRS 119 which are not applicable to the Group and the Company.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfer of Assets from Customers* and IC Interpretation 131, *Revenue – Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition for non-insurance contracts might be different as compared with current practices.

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

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

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

1.2 Basis of measurement

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

1.3 Functional and presentation currency

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

1.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgements (continued)

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 | - fair value measurement of financial instruments |
| Note 2.7 | - determination of the recoverable amounts of cash-generating units and other intangible assets |
| 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 have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

2.1.1 Subsidiaries

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

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

2.1.2 Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation (continued)

2.1.2 Business combinations (continued)

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

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

2.1.3 Acquisition of non-controlling interests

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

2.1.4 Loss of control

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

2.1.5 Non-controlling interests

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

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

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 currency of Group entities at exchange rates at the dates of the transactions.

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency transactions (continued)

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 recognised in profit or loss.

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (continued)

2.3.1 Recognition and measurement (continued)

The 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 profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

2.3.2 Subsequent costs

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

2.3.3 Depreciation

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

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

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

Leasehold land	Over lease period
Buildings	50 years
Office equipment, computers, furniture and fittings	3 to 10 years
Motor vehicles	5 years
Office renovation and partitions	10 years

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Intangible assets

2.4.1 Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses. In respect of equity-accounted associates and joint venture, 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 and joint venture.

2.4.2 Development costs

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

The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss as 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 profit or loss as incurred.

2.4.5 Amortisation

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

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

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

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

Capitalised software development costs	5 years
Other intangible assets	11 years

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leased assets

2.5.1 Finance 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, or as investment property if held to earn rental income or for capital appreciation or for both.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest method.

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

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 2.7).

Financial liabilities

All financial liabilities are initially measured at fair value and subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

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

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments whose fair values otherwise cannot be reliably measured are measured at cost.

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

2.6.3 Financial guarantee contracts

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.4 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.6.5 Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.7 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 impairment loss of the financial asset is estimated.

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7.2 below) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.1 Financial assets, excluding insurance receivables (continued)

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent financial period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.7.2 Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by BNM.

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.7.3 Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (known as "cash-generating unit"). For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.3 Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised, unless it reverses an impairment loss on a revalued asset, in which case it is credited directly to revaluation reserve. When an impairment loss on the same revalued asset was previously recognised in profit or loss, a reversal of that impairment loss is recognised in profit or loss.

2.8 Investment properties

2.8.1 Investment properties carried at fair value

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investment properties (continued)

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 profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

2.8.3 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.

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

2.9 Non-current assets held for sale

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

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

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

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

2.10 Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hands, balances and deposits with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

Cash and cash equivalents are categorised and measured as loans and receivables in accordance with policy Note 2.6.2 (c).

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Equity instruments

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

2.11.1 Ordinary shares

Ordinary share capital is classified as equity.

2.11.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2.12 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

2.13 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2.14 Product classification

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Product classification (continued)

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

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

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate.

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling are required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

2.15 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Reinsurance (continued)

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.

2.16.1 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 General insurance underwriting results (continued)

2.16.1 Premium income (continued)

(b) Reinsurance premiums (continued)

In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

2.16.2 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.

2.16.4 Acquisition costs and deferred acquisition cost ("DAC")

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 General insurance underwriting results (continued)

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 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 Financial Services Act, 2013 by the insurance subsidiary's appointed actuary.

2.17.2 Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit or loss and reported as outstanding premiums in the statements of financial position.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Life insurance underwriting results (continued)

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 year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

2.17.5 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 included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the insurance fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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 contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed. If the fees are for services to be provided in future periods, then, they are deferred and recognised over those future periods.

2.19 Commission and agency expenses

Gross commission and agency expenses, which are 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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Other revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

2.20.1 Interest income

Interest income is recognised as it accrues, using the effective interest method in profit or loss except where an interest bearing financial investment is considered non-performing i.e. where repayments are in arrears for more than six months, in which case recognition of such interest is suspended. Subsequent to suspension, interest income is recognised on the receipt basis until all arrears have been paid.

2.20.2 Rental income

Rental income from investment properties and self-occupied properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis. Rental income from subleased property is recognised as other income.

2.20.3 Dividend income

Dividend income is recognised in profit or loss on the date the Group's and the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.20.4 Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.21 Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group and the Company have a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

2.22 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, insurance contract liabilities or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Income tax (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Significant accounting judgements, estimates and assumptions

2.25.1 Valuation of general insurance claims liabilities

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim. These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available.

IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the insurance subsidiary 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 insurance subsidiary's current and past claims experience, taking into account the insurance subsidiary's underwriting practice and industry experience. IBNR reserves are estimated based on actuarial statistical projections of the expected cost of the ultimate settlement and administration of claims. The projections are based on available information at the time and include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

2.25.2 Valuation of life insurance contract liabilities

The valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM.

The life insurance contract liability is valued using a prospective actuarial valuation based on the sum of the present value of future guaranteed benefits and, in the case of a participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The expected future cash flow is determined using best estimate assumptions and with due regard to significant recent experience.

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

NOTES TO THE FINANCIAL STATEMENTS

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Significant accounting judgements, estimates and assumptions (continued)

2.25.2 Valuation of life insurance contract liabilities (continued)

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies and non-unit actuarial liabilities of investment-linked policies.

For a 1-year extension to a life policy covering contingencies other than death or survival, the liabilities are calculated as the higher of unearned premium reserve or the unexpired risk reserve.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy, non-unit actuarial liability of an investment-linked policy and guaranteed benefits insurance liability of participating policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund is used for all cash flows to determine the total benefit liability of participating policies.

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.

2.26 Fair value measurement

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly.
- Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date the event or change in circumstances that caused the transfers.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress# RM'000	Total RM'000
Cost/Valuation									
At 1 January 2013		20,606	59,555	1,459	49,145	2,663	23,260	1,597	158,285
Additions		-	-	-	10,704	244	1,459	7,053	19,460
Disposals		-	-	-	(11)	-	-	-	(11)
Written off		-	-	-	(298)	-	(12)	-	(310)
Reclassification#	4	-	-	-	1,808	-	3,677	(6,778)	(1,293)
At 31 December 2013/ 1 January 2014		20,606	59,555	1,459	61,348	2,907	28,384	1,872	176,131
Additions		-	-	-	11,382	241	903	4,926	17,452
Disposals		(105)	(90)	-	(28)	(440)	-	-	(663)
Written off		-	-	-	(6,596)	-	(7,170)	-	(13,766)
Reclassification#	4	-	-	-	3,266	-	1,078	(4,344)	-
At 31 December 2014		20,501	59,465	1,459	69,372	2,708	23,195	2,454	179,154

* The carrying amounts of land and buildings are not segregated as the required information is not available.

Certain work-in-progress were reclassified as software development costs (intangible assets), see Note 4.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
Depreciation									
At 1 January 2013		333	4,229	93	28,118	2,008	10,736	-	45,517
Depreciation for the year	28	190	1,537	17	8,327	364	2,954	-	13,389
Disposals		-	-	-	(8)	-	-	-	(8)
Written off		-	-	-	(287)	-	(7)	-	(294)
At 31 December 2013/ 1 January 2014		523	5,766	110	36,150	2,372	13,683	-	58,604
Depreciation for the year	28	191	1,537	17	10,720	341	2,917	-	15,723
Disposals		-	(16)	-	(15)	(433)	-	-	(464)
Written off		-	-	-	(6,431)	-	(3,698)	-	(10,129)
At 31 December 2014		714	7,287	127	40,424	2,280	12,902	-	63,734
Impairment									
At 1 January 2013/ 31 December 2013/ 1 January 2014/ 31 December 2014		-	(1,041)	-	-	-	-	-	(1,041)
Carrying amounts									
At 1 January 2013		20,273	54,285	1,366	21,027	655	12,524	1,597	111,727
At 31 December 2013/ 1 January 2014		20,083	52,748	1,349	25,198	535	14,701	1,872	116,486
At 31 December 2014		19,787	51,137	1,332	28,948	428	10,293	2,454	114,379

* The carrying amounts of land and buildings are not segregated as the required information is not available.

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
Cost						
At 1 January 2013		273	1,335	15	3	1,626
Additions		85	-	-	-	85
Written off		(2)	-	-	-	(2)
At 31 December 2013/ 1 January 2014		356	1,335	15	3	1,709
Additions		62	-	-	41	103
Disposals		(2)	(440)	-	-	(442)
Written off		(7)	-	-	-	(7)
Reclassification		35	-	-	(35)	-
At 31 December 2014		444	895	15	9	1,363
Depreciation						
At 1 January 2013		65	983	6	-	1,054
Depreciation for the year	28	55	176	-	-	231
Written off		(1)	-	-	-	(1)
At 31 December 2013/ 1 January 2014		119	1,159	6	-	1,284
Depreciation for the year	28	72	169	-	-	241
Disposals		-	(433)	-	-	(433)
Written off		(5)	-	-	-	(5)
At 31 December 2014		186	895	6	-	1,087
Carrying amounts						
At 1 January 2013		208	352	9	3	572
At 31 December 2013/ 1 January 2014		237	176	9	3	425
At 31 December 2014		258	-	9	9	276

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Revaluation of properties

All the Group's land and buildings were revalued in October 2011, except for buildings of Bright Mission Berhad ("BMB") which was revalued in June 2012, by external independent professional qualified valuers using the comparison method.

Had the land and buildings of the Group been carried under the cost model, their carrying amounts would have been as follows:

	2014 RM'000	2013 RM'000
Group		
Land	11,822	12,082
Buildings	26,462	27,801
Land and buildings	1,335	1,351
	39,619	41,234

3.2 Leased computers

At 31 December 2014, the net carrying amount of leased computers of the Group was RM10,000 (2013: RM29,000).

3.3 Land

Included in the carrying amounts of land are:

	2014 RM'000	2013 RM'000
Group		
Freehold land	6,684	6,789
Long term leasehold land with unexpired lease period of more than 50 years	13,103	13,294
	19,787	20,083

3.4 Fair value information

Fair value of land and buildings are categorised as follows:

	2014				2013			
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Land	-	19,787	-	19,787	-	20,083	-	20,083
Buildings	-	51,137	-	51,137	-	52,748	-	52,748
Land and buildings	-	1,332	-	1,332	-	1,349	-	1,349
	-	72,256	-	72,256	-	74,180	-	74,180

NOTES TO THE FINANCIAL STATEMENTS

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.4 Fair value information (continued)

Level 2 fair value

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable land and buildings.

4. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost					
At 1 January 2013		244,600	16,197	88,933	349,730
Additions		-	669	50,495	51,164
Reclassification	3	-	1,293	-	1,293
At 31 December 2013/1 January 2014		244,600	18,159	139,428	402,187
Additions		-	1,509	-	1,509
Reclassification	3	-	-	-	-
At 31 December 2014		244,600	19,668	139,428	403,696
Amortisation					
At 1 January 2013		-	14,264	47,429	61,693
Amortisation for the year	28	-	1,224	13,942	15,166
At 31 December 2013/1 January 2014		-	15,488	61,371	76,859
Amortisation for the year	28	-	1,464	13,438	14,902
At 31 December 2014		-	16,952	74,809	91,761
Carrying amounts					
At 1 January 2013		244,600	1,933	41,504	288,037
At 31 December 2013/1 January 2014		244,600	2,671	78,057	325,328
At 31 December 2014		244,600	2,716	64,619	311,935

4.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	2014 RM'000	2013 RM'000
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")/ Bright Mission Berhad ("BMB")	239,610	239,610
	244,600	244,600

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (CONTINUED)

4.1 Goodwill (continued)

AGIC and BMB (formerly known as Commerce Assurance Berhad ("CAB")) entered into a Business Transfer Agreement dated 17 September 2008 ("BTA") to undertake a scheme of transfer under Part XI of the Insurance Act, 1996 as approved by 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 estimated recoverable amount is calculated based on the share of net assets as at 31 December 2014 and the projected future financial performance of the general insurance business.

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the estimated recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM calculated by an appointed actuary. 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 estimated recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised.

4.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS") 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	2014 RM'000	2013 RM'000
Cost			
The Bancassurance Agreements:			
- General insurance business	4.3.1	88,933	88,933
- Life insurance business	4.3.2	50,495	50,495
	4	139,428	139,428

NOTES TO THE FINANCIAL STATEMENTS

4. INTANGIBLE ASSETS (CONTINUED)

4.3 Other intangible assets (continued)

4.3.1 The Bancassurance Agreement – General insurance business

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	No projected premium growth for the remaining tenure
Discount rate	8.0%
Investment yield	2.9% – 3.5% per annum

4.3.2 The Bancassurance Agreement – Life insurance business

The intangible asset is in relation to the exclusive bancassurance agreement which provides the Group's life insurance entity with an exclusive right to the use of the bancassurance network of a bank to sell, market and promote conventional life product. ALIM and the bank had on 9 May 2014 executed the amendment agreement to extend the original term under the Exclusive Distribution Agreement, from 10 years to 11 years.

The fee for this right is amortised over its useful life of 11 years using the straight-line method. The future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 11 years using the discounting cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement:

Key assumptions

Bancassurance annualised new premium growth rate	3.7% – 87.9% per annum
Discount rate	8.0%

4.3.3 Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

NOTES TO THE FINANCIAL STATEMENTS

5. DEFERRED ACQUISITION COSTS

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2013		83,215	(23,900)	59,315
Movement during the year	26	9,053	513	9,566
At 31 December 2013/1 January 2014		92,268	(23,387)	68,881
Movement during the year	26	8,154	391	8,545
At 31 December 2014		100,422	(22,996)	77,426

6. INVESTMENT PROPERTIES

Group	Note	2014 RM'000	2013 RM'000
At 1 January		5,600	4,962
Change in fair value recognised in profit or loss	25	-	638
Disposal		(2,300)	-
At 31 December		3,300	5,600
Included in the above are:			
At fair value			
Freehold land		730	2,492
Long term leasehold land		-	538
Buildings		2,570	2,570
		3,300	5,600

The fair values of investment properties are determined by C H Williams Talhar & Wong Sdn Bhd and VPC Alliance Sdn Bhd, independent professional qualified valuers using the comparison method.

The following are recognised in profit or loss in respect of investment properties:

Group	Note	2014 RM'000	2013 RM'000
Rental income	23	124	96
Direct operating expenses			
- income generating investment properties		(4)	(8)

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES (CONTINUED)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	2014				2013			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land	-	730	-	730	-	2,492	-	2,492
Long term leasehold land	-	-	-	-	-	538	-	538
Buildings	-	2,570	-	2,570	-	2,570	-	2,570
	-	3,300	-	3,300	-	5,600	-	5,600

Level 2 fair value

Level 2 fair values of land and buildings have been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable land and buildings.

7. INVESTMENTS IN SUBSIDIARIES

Company	2014 RM'000	2013 RM'000
At cost		
Unquoted shares	1,128,699	1,084,521

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	
			2014 %	2013 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance	Malaysia	100	100
Bright Mission Berhad ("BMB")	Investment holding	Malaysia	100	100

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS

	2014 RM'000	2013 RM'000
Group		
Malaysian government securities	3,256,312	2,779,520
Malaysian government guaranteed bonds	1,644,967	1,376,803
Ringgit denominated bonds by foreign issuers in Malaysia	220,438	221,427
Quoted equity securities of corporations in Malaysia	777,985	795,603
Quoted equity securities of corporations outside Malaysia	819	880
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	2,541,369	2,113,550
Quoted unit trusts in Malaysia	57,844	52,797
Unquoted unit trusts in Malaysia	2,980	5,390
Unquoted unit trusts outside Malaysia	54,337	50,676
Structured deposits with licensed financial institutions	274,273	227,719
Malaysian government guaranteed loans	260,000	260,000
Mortgage loans	9,598	70
Policy loans	13,975	12,515
Automatic premium loans	79,918	73,239
Fixed and call deposits with:		
Licensed banks	11,279	25,073
	9,208,241	7,997,409

Financial investments are summarised by categories as follows:

Group	Note	Current		Non-current		Total	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Held-to-maturity financial assets ("HTM")	(a)	30,000	15,000	1,635,180	1,308,892	1,665,180	1,323,892
Available-for-sale financial assets ("AFS")	(b)	3,819,744	3,506,027	-	-	3,819,744	3,506,027
Loans and receivables ("LAR")	(c)	177,859	180,842	196,911	190,055	374,770	370,897
Fair value through profit or loss ("FVTPL")							
- Held for trading ("HFT")	(d)	1,317,769	917,651	-	-	1,317,769	917,651
- Designated upon initial recognition ("DUIR")	(e)	2,030,778	1,878,942	-	-	2,030,778	1,878,942
		7,376,150	6,498,462	1,832,091	1,498,947	9,208,241	7,997,409

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

(a) Held-to-maturity financial assets

	Amortised cost 2014 RM'000	Fair value 2014 RM'000	Amortised cost 2013 RM'000	Fair value 2013 RM'000
Group				
Malaysian government securities	945,957	938,883	680,270	669,761
Malaysian government guaranteed bonds	619,370	613,090	543,837	522,711
Ringgit denominated bonds by foreign issuers in Malaysia	99,853	100,909	99,785	101,848
	1,665,180	1,652,882	1,323,892	1,294,320

(b) Available-for-sale financial assets

	Fair value	
	2014 RM'000	2013 RM'000
Group		
Malaysian government securities	1,568,615	1,429,453
Malaysian government guaranteed bonds	603,060	475,667
Ringgit denominated bonds by foreign issuers in Malaysia	53,590	54,033
Quoted equity securities of corporations in Malaysia	345,668	415,481
Unquoted bonds of corporations in Malaysia	1,025,763	957,361
Quoted unit trusts in Malaysia	54,952	48,659
Unquoted unit trusts in Malaysia	1,130	4,164
Unquoted unit trusts outside Malaysia	41,676	36,185
Structured deposits with licensed financial institutions	123,143	82,877
	3,817,597	3,503,880

	Cost	
	2014 RM'000	2013 RM'000
Group		
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Total available-for-sale financial assets	3,819,744	3,506,027

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

(c) Loans and receivables

	Amortised cost 2014 RM'000	Fair value 2014 RM'000	Amortised cost 2013 RM'000	Fair value 2013 RM'000
Group				
Malaysian government guaranteed loans	260,000	260,000	260,000	260,000
Mortgage loans	9,598	9,598	70	70
Policy loans	13,975	13,975	12,515	12,515
Automatic premium loans	79,918	79,918	73,239	73,239
Fixed and call deposits with:				
Licensed banks	11,279	11,279	25,073	25,073
	374,770	374,770	370,897	370,897

(d) FVTPL – Held for trading

	Fair value	
	2014 RM'000	2013 RM'000
Group		
Malaysian government securities	262,350	161,721
Malaysian government guaranteed bonds	164,687	106,742
Ringgit denominated bonds by foreign issuers in Malaysia	5,121	5,193
Quoted equity securities of corporations in Malaysia	432,317	380,122
Quoted equity securities of corporations outside Malaysia	819	880
Unquoted bonds of corporations in Malaysia	405,115	217,943
Quoted unit trusts in Malaysia	2,892	4,138
Unquoted unit trusts in Malaysia	1,850	1,226
Unquoted unit trusts outside Malaysia	12,661	14,491
Structured deposits with licensed financial institutions	29,957	25,195
	1,317,769	917,651

(e) FVTPL - Designated upon initial recognition

	Fair value	
	2014 RM'000	2013 RM'000
Group		
Malaysian government securities	479,390	508,076
Malaysian government guaranteed bonds	257,850	250,557
Ringgit denominated bonds by foreign issuers in Malaysia	61,874	62,416
Unquoted bonds of corporations in Malaysia	1,110,491	938,246
Structured deposits with licensed financial institutions	121,173	119,647
	2,030,778	1,878,942
Total fair value through profit or loss financial investments	3,348,547	2,796,593

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

Carrying values of financial investments

Group	Note	HTM RM'000	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2013		1,123,735	3,095,574	357,666	547,550	1,703,247	6,827,772
Purchases/placements		209,920	1,200,355	12,327,372	569,961	493,375	14,800,983
Maturities		(10,000)	(296,500)	(12,314,141)	(9,500)	(92,028)	(12,722,169)
Disposals		-	(479,647)	-	(214,107)	(158,691)	(852,445)
Fair value gains/(losses) recorded in:							
• Profit or loss:							
- Unrealised gains/(losses)	25	-	-	-	26,092	(65,949)	(39,857)
- Unrealised foreign exchange losses		-	-	-	(2,552)	-	(2,552)
- Movement in impairment allowance	25	-	(4,497)	-	-	-	(4,497)
• Other comprehensive income	20.3	-	(42,937)	-	-	-	(42,937)
• Insurance contract liabilities	17(a)	-	37,727	-	-	-	37,727
Accretion of discounts		1,006	1,847	-	513	2,102	5,468
Amortisation of premiums		(769)	(5,895)	-	(306)	(3,114)	(10,084)
At 31 December 2013/ At 1 January 2014		1,323,892	3,506,027	370,897	917,651	1,878,942	7,997,409
Purchases/placements		355,944	980,001	14,616,986	727,635	280,982	16,961,548
Maturities		(15,000)	(337,000)	(14,613,113)	(53,960)	(88,951)	(15,108,024)
Disposals		-	(273,309)	-	(245,214)	(45,269)	(563,792)
Fair value gains/(losses) recorded in:							
• Profit or loss:							
- Unrealised (losses)/gains	25	-	-	-	(28,241)	5,926	(22,315)
- Unrealised foreign exchange losses		-	-	-	(628)	-	(628)
- Movement in impairment allowance	25	-	(22,120)	-	-	-	(22,120)
• Other comprehensive income	20.3	-	(2,209)	-	-	-	(2,209)
• Insurance contract liabilities	17(a)	-	(31,544)	-	-	-	(31,544)
Accretion of discounts		1,256	3,718	-	956	1,853	7,783
Amortisation of premiums		(912)	(3,820)	-	(430)	(2,705)	(7,867)
At 31 December 2014		1,665,180	3,819,744	374,770	1,317,769	2,030,778	9,208,241

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENTS (CONTINUED)

	2014 RM'000	2013 RM'000
Company		
Fixed and call deposits with:		
Licensed banks	11,279	19,916

Financial investments are summarised by category as follows:

	Current		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Company				
Loans and receivables ("LAR")	11,279	19,916	11,279	19,916

Loans and receivables

	Amortised cost 2014 RM'000	Fair value 2014 RM'000	Amortised cost 2013 RM'000	Fair value 2013 RM'000
Company				
Fixed and call deposits with:				
Licensed banks	11,279	11,279	19,916	19,916

Carrying values of financial investments

	LAR RM'000	Total RM'000
Company		
At 1 January 2013	10,500	10,500
Placements	9,416	9,416
At 31 December 2013/1 January 2014	19,916	19,916
Maturities	(8,637)	(8,637)
At 31 December 2014	11,279	11,279

9. INSURANCE RECEIVABLES

	Note	2014 RM'000	2013 RM'000
Group			
Current			
Due premiums including agents, brokers and co-insurers balances		162,444	144,338
Due from reinsurers and cedants		56,061	35,097
Due from holding company	9.1	14	20
Due from related companies	9.2	126	1,776
Group claims receivables		1,327	1,167
		219,972	182,398
Less: Allowance for impairment	39.1(ii)	(22,359)	(19,357)
		197,613	163,041

NOTES TO THE FINANCIAL STATEMENTS

9. INSURANCE RECEIVABLES (CONTINUED)

9.1 Amount due from holding company

The amount due from holding company is unsecured.

9.2 Amount due from related companies

The amount due from related companies is unsecured.

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	Note	2014 RM'000	2013 RM'000
Non-current			
Other receivables			
Other receivables, deposits and prepayments		9,563	6,664
Malaysian Institute of Insurance ("MII") bonds		590	590
		10,153	7,254
Staff loans			
Mortgage loans		3,834	3,348
Other secured loans		676	549
		4,510	3,897
		14,663	11,151
Current			
Other receivables			
Other receivables, deposits and prepayments		89,609	75,250
Sundry deposits		871	647
Less: Allowance for impairment	39.1(ii)	(6,363)	(3,906)
		84,117	71,991
Income due and accrued		88,712	75,779
Due from holding company	10.1	3	17
Due from related companies	10.2	2,514	2,207
Due from inter-fund	14	48,509	13,473
		223,855	163,467
Staff loans			
Mortgage loans		513	488
Other secured loans		286	263
		799	751
		224,654	164,218
Total		239,317	175,369

NOTES TO THE FINANCIAL STATEMENTS

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)**10.1 Amount due from holding company**

The amount due from holding company is unsecured, interest free and repayable on demand.

10.2 Amount due from related companies

The amount due from related companies is unsecured, interest free and repayable on demand.

Company	Note	2014 RM'000	2013 RM'000
Non-current			
Other receivables			
Other receivables, deposits and prepayments		524	305
Staff loans			
Mortgage loans		679	746
Other secured loans		103	63
		782	809
		1,306	1,114
Current			
Other receivables			
Other receivables, deposits and prepayments		837	753
Income due and accrued		470	181
Due from subsidiaries	10.3	24,037	3,101
		25,344	4,035
Staff loans			
Mortgage loans		98	84
Other secured loans		31	17
		129	101
		25,473	4,136
Total		26,779	5,250

10.3 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

11. REINSURANCE ASSETS

Group	Note	2014 RM'000	2013 RM'000
Non-current			
Reinsurance of insurance contracts			
General insurance claims liabilities		545,423	477,376
Life insurance actuarial liabilities		69,928	77,440
		615,351	554,816
Current			
Reinsurance of insurance contracts			
General insurance claims liabilities		476,186	376,283
General insurance premium liabilities		226,624	335,505
Life insurance actuarial liabilities		52	100
		702,862	711,888
Total	17	1,318,213	1,266,704

12. BENEFITS AND CLAIMS LIABILITIES

Group	2014 RM'000	2013 RM'000
Current		
Gross benefits and claims liabilities	185,571	131,250
Less: Recoverable from reinsurers	(17,869)	(13,392)
Net benefits and claims liabilities	167,702	117,858

13. INSURANCE PAYABLES

Group	Note	2014 RM'000	2013 RM'000
Non-current			
Performance bond deposits	13.1	17,997	18,489
Current			
Due to reinsurers and cedants		116,786	107,995
Due to agents, brokers, co-insurers and insurers		130,103	135,400
Due to related companies	13.2	42,964	27,453
Performance bond deposits	13.1	45,327	47,896
		335,180	318,744
Total		353,177	337,233

NOTES TO THE FINANCIAL STATEMENTS

13. INSURANCE PAYABLES (CONTINUED)

13.1 Performance bond deposits

Performance bond deposits are collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

13.2 Amount due to related companies

The amount due to related companies is unsecured.

14. OTHER PAYABLES AND ACCRUALS

Group	Note	2014 RM'000	2013 RM'000
Non-current			
Other payables	14.1	43,418	51,776
Finance lease liabilities	14.2	-	2
Due to holding company	14.4	54,300	54,300
		97,718	106,078
Current			
Other payables and accrued expenses	14.1	220,972	232,145
Finance lease liabilities	14.2	3	19
Due to inter-fund	10	48,509	13,473
Due to related companies	14.3	7,113	67
		276,597	245,704
Total		374,315	351,782
Company			
Non-current			
Due to holding company	14.4	54,300	54,300
Current			
Other payables and accrued expenses		22,071	3,056
Due to a subsidiary	14.3	177,383	133,205
		199,454	136,261
Total		253,754	190,561

14.1 Other payables and accrued expenses

Included in other payables and accrued expenses of the Group is an amount of RM65,336,000 (2013: RM70,509,000) relating to premium received in advance and RM19,001,000 (2013: RM19,758,000) relating to premium deposits.

NOTES TO THE FINANCIAL STATEMENTS

14. OTHER PAYABLES AND ACCRUALS (CONTINUED)

14.2 Finance lease liabilities

	Minimum lease payments 2014 RM'000	Interest 2014 RM'000	Principal 2014 RM'000
Group			
Less than one year	3	-	3
Between one and five years	-	-	-
	3	-	3

	Minimum lease payments 2013 RM'000	Interest 2013 RM'000	Principal 2013 RM'000
Group			
Less than one year	20	1	19
Between one and five years	2	-	2
	22	1	21

14.3 Amounts due to a subsidiary and related companies

The amounts due to a subsidiary and related companies are unsecured, interest free and repayable on demand.

14.4 Advance from holding company – Group and Company

Advance from Allianz SE

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

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

15. SUBORDINATED LOAN

15.1 Subordinated loan to subsidiary company – Company

Subordinated loan to Allianz Life Insurance Malaysia Berhad (“ALIM”)

	2014 RM'000	2013 RM'000
Company		
Non-current		
Subordinated loan to a subsidiary	54,300	54,300

NOTES TO THE FINANCIAL STATEMENTS

15. SUBORDINATED LOAN (CONTINUED)

15.1 Subordinated loan to subsidiary company – Company (continued)

Subordinated loan to Allianz Life Insurance Malaysia Berhad ("ALIM") (continued)

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 unsecured, subject to interest at 4.5% per annum and repayable in 2023.

The proceeds from the Facility is utilised by ALIM as subordinated loan for general working capital purposes including business expansion.

16. DEFERRED TAX ASSETS AND LIABILITIES

16.1 Recognised deferred tax assets/(liabilities) are attributable to the following:

Group	Assets		Liabilities		Net	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Property, plant and equipment	260	260	(15,199)	(15,333)	(14,939)	(15,073)
Intangible assets	-	-	(461)	(369)	(461)	(369)
Provisions	18,267	21,078	-	-	18,267	21,078
Available-for-sale fair value reserve	4,339	3,861	(5,632)	(8,232)	(1,293)	(4,371)
Impairment	1,853	1,853	-	-	1,853	1,853
Fair value movement recognised in profit or loss	-	-	(2,308)	(1,771)	(2,308)	(1,771)
Unallocated surplus	-	-	(126,185)	(107,387)	(126,185)	(107,387)
Amortisation/(Net accretion)	96	-	-	(13)	96	(13)
Other items	3,515	-	-	(3,044)	3,515	(3,044)
Tax assets/(liabilities)	28,330	27,052	(149,785)	(136,149)	(121,455)	(109,097)
Set off	(7,008)	(8,970)	7,008	8,970	-	-
Net tax assets/(liabilities)	21,322	18,082	(142,777)	(127,179)	(121,455)	(109,097)
Company						
Property, plant and equipment	-	-	(32)	(25)	(32)	(25)
Net tax liabilities	-	-	(32)	(25)	(32)	(25)

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.

NOTES TO THE FINANCIAL STATEMENTS

16. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

16.2 Movement in temporary differences during the year:

	At 1.1.2013 RM'000	Recognised in profit or loss (Note 29.1) RM'000	Recognised in other comprehensive income (Note 29.2) RM'000	Recognised in insurance contract liabilities (Note 29.3) RM'000	At 31.12.2013 /1.1.2014 RM'000	Recognised in profit or loss (Note 29.1) RM'000	Recognised in other comprehensive income (Note 29.2) RM'000	Recognised in insurance contract liabilities (Note 29.3) RM'000	At 31.12.2014 RM'000
Group									
Property, plant and equipment	(13,547)	(1,526)	-	-	(15,073)	134	-	-	(14,939)
Intangible assets	(464)	95	-	-	(369)	(92)	-	-	(461)
Provisions	15,828	5,250	-	-	21,078	(2,811)	-	-	18,267
Available-for-sale fair value reserve	(12,105)	-	10,752	(3,018)	(4,371)	-	554	2,524	(1,293)
Impairment	921	932	-	-	1,853	-	-	-	1,853
Fair value movement recognised in profit or loss	(7,004)	5,233	-	-	(1,771)	(537)	-	-	(2,308)
Unallocated surplus	(93,140)	(14,247)	-	-	(107,387)	(18,798)	-	-	(126,185)
Amortisation/(Net accretion)	201	(214)	-	-	(13)	109	-	-	96
Other items	418	(3,462)	-	-	(3,044)	6,559	-	-	3,515
	(108,892)	(7,939)	10,752	(3,018)	(109,097)	(15,436)	554	2,524	(121,455)
Company									
Property, plant and equipment	(40)	15	-	-	(25)	(7)	-	-	(32)

NOTES TO THE FINANCIAL STATEMENTS

17. INSURANCE CONTRACT LIABILITIES

Group	Note	2014			2013		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	(a)	5,494,649	(69,980)	5,424,669	4,667,930	(77,540)	4,590,390
General insurance	(b)	3,327,243	(1,248,233)	2,079,010	3,102,183	(1,189,164)	1,913,019
		8,821,892	(1,318,213)	7,503,679	7,770,113	(1,266,704)	6,503,409
			Note 11			Note 11	

(a) Life insurance

Life insurance contract liabilities consist of:

Group	Note	2014			2013		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities		4,694,730	(69,980)	4,624,750	3,956,026	(77,540)	3,878,486
Unallocated surplus		69,138	-	69,138	67,830	-	67,830
Available-for-sale fair value reserve		70,777	-	70,777	99,797	-	99,797
Net assets value attributable to unitholders	34	658,223	-	658,223	542,496	-	542,496
Revaluation reserve		1,781	-	1,781	1,781	-	1,781
		5,494,649	(69,980)	5,424,669	4,667,930	(77,540)	4,590,390

NOTES TO THE FINANCIAL STATEMENTS

17. 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	
At 1 January 2013	2,590,521	1,290,132	3,880,653	(2,558)	(83,978)	(86,536)	3,794,117
Premiums received (Note 22)	465,933	1,133,872	1,599,805	(9,502)	(91,646)	(101,148)	1,498,657
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(121,037)	(356,946)	(477,983)	7,917	75,604	83,521	(394,462)
Benefits and claims experience variation	2,862	(39,049)	(36,187)	703	18,473	19,176	(17,011)
Fees deducted	(61,133)	(388,073)	(449,206)	1,012	5,830	6,842	(442,364)
Expected interest on reserve/ net investment income attributable to Universal Life Fund	111,870	35,539	147,409	(129)	(2,502)	(2,631)	144,778
Adjustments due to changes in assumptions	61,858	(41,791)	20,067	2,557	679	3,236	23,303
Net asset value attributable to unitholders (Note 34)	-	55,833	55,833	-	-	-	55,833
Available-for-sale fair value reserve (Note 8)	37,727	-	37,727	-	-	-	37,727
Unallocated surplus	(107,170)	-	(107,170)	-	-	-	(107,170)
Deferred tax effect: (Note 29.3)							
- Available-for-sale fair value reserve	(3,018)	-	(3,018)	-	-	-	(3,018)
At 31 December 2013	2,978,413	1,689,517	4,667,930	-	(77,540)	(77,540)	4,590,390

NOTES TO THE FINANCIAL STATEMENTS

17. 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	
At 1 January 2014	2,978,413	1,689,517	4,667,930	-	(77,540)	(77,540)	4,590,390
Premiums received (Note 22)	419,571	1,414,185	1,833,756	(9,939)	(125,187)	(135,126)	1,698,630
Liabilities paid for death, maturities, surrenders, benefits and claims (Note 27)	(139,362)	(474,248)	(613,610)	7,551	101,379	108,930	(504,680)
Benefits and claims experience variation	13,973	(59,756)	(45,783)	939	20,161	21,100	(24,683)
Fees deducted	(43,945)	(429,748)	(473,693)	1,449	11,344	12,793	(460,900)
Expected interest on reserve/net investment income attributable to Universal Life Fund	129,459	41,815	171,274	-	(2,667)	(2,667)	168,607
Adjustments due to changes in assumptions	(8,630)	(2,144)	(10,774)	-	2,530	2,530	(8,244)
Net asset value attributable to unitholders (Note 34)	-	(6,739)	(6,739)	-	-	-	(6,739)
Available-for-sale fair value reserve (Note 8)	(31,544)	-	(31,544)	-	-	-	(31,544)
Unallocated surplus	1,308	-	1,308	-	-	-	1,308
Deferred tax effect: (Note 29.3)							
- Available-for-sale fair value reserve	2,524	-	2,524	-	-	-	2,524
At 31 December 2014	3,321,767	2,172,882	5,494,649	-	(69,980)	(69,980)	5,424,669

NOTES TO THE FINANCIAL STATEMENTS

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

General insurance contract liabilities consist of:

Group	Note	2014			2013		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		1,713,357	(737,488)	975,869	1,564,159	(653,973)	910,186
Provision for incurred but not reported claims ("IBNR")		637,523	(284,120)	353,403	528,933	(199,685)	329,248
Provision for outstanding claims	17.1	2,350,880	(1,021,608)	1,329,272	2,093,092	(853,658)	1,239,434
Provision for unearned premiums	17.2	976,363	(226,625)	749,738	1,009,091	(335,506)	673,585
		3,327,243	(1,248,233)	2,079,010	3,102,183	(1,189,164)	1,913,019

17.1 Provision for outstanding claims

Group	Note	2014			2013		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		2,093,092	(853,658)	1,239,434	1,921,454	(872,567)	1,048,887
Claims incurred in the current accident year		1,302,767	(313,069)	989,698	1,148,400	(272,749)	875,651
Other movements in claims incurred in prior accident years		(58,126)	(9,577)	(67,703)	(181,327)	121,303	(60,024)
Claims paid during the year	27	(986,853)	154,696	(832,157)	(795,435)	170,355	(625,080)
At 31 December		2,350,880	(1,021,608)	1,329,272	2,093,092	(853,658)	1,239,434

17.2 Provision for unearned premiums

Group	Note	2014			2013		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		1,009,091	(335,506)	673,585	760,888	(211,368)	549,520
Premiums written in the year	22	2,134,307	(502,451)	1,631,856	1,978,653	(498,832)	1,479,821
Premiums earned during the year		(2,167,035)	611,332	(1,555,703)	(1,730,450)	374,694	(1,355,756)
At 31 December		976,363	(226,625)	749,738	1,009,091	(335,506)	673,585

NOTES TO THE FINANCIAL STATEMENTS

18. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2014			
Derivative held for trading at fair value through profit or loss:			
Collateralised forward starting interest rate swap	400,000	6,958	(161)
Put option	50,000	711	-
	450,000	7,669	(161)
2013			
Derivative held for trading at fair value through profit or loss:			
Collateralised forward starting interest rate swap	400,000	-	(20,950)
Put option	49,999	-	-
	449,999	-	(20,950)

19. SHARE CAPITAL

	2014		2013	
Group and Company	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Authorised:				
Ordinary shares of RM1 each				
As at 1 January/31 December	600,000	600,000	600,000	600,000
Irredeemable Convertible Preference Shares ("ICPS") of RM1 each				
As at 1 January/31 December	400,000	400,000	400,000	400,000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares of RM1 each				
As at 1 January	160,752	160,752	158,636	158,636
Issued during the year	6,736	6,736	2,116	2,116
As at 31 December	167,488	167,488	160,752	160,752
Irredeemable Convertible Preference Shares of RM1 each				
As at 1 January	185,454	185,454	187,570	187,570
Conversion during the year	(6,736)	(6,736)	(2,116)	(2,116)
As at 31 December	178,718	178,718	185,454	185,454

During the financial year, the Group and the Company issued 6,736,325 (2013: 2,115,800) ordinary shares of RM1 each at par via conversion of ICPS of RM1 each.

NOTES TO THE FINANCIAL STATEMENTS

19. SHARE CAPITAL (CONTINUED)

Ordinary shares

The holders of the ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Irredeemable Convertible Preference Shares ("ICPS")

Holders of ICPS receive a non-cumulative preferential dividend equivalent to 1.2 times of the dividend rate of the ordinary shares declared for the same financial year/period and calculated based on the nominal value of the ICPS at the Company's discretion. The ICPS holders do not carry the right to vote at any general meeting except for when the dividend or part of the dividend is in arrears for more than 6 months, on a proposal to wind-up of the Company, during the winding-up of the Company, on a proposal that affect the rights attached to the shares ICPS, on a proposal to reduce the Company's share capital or on a proposal for the disposal of the whole of the Company's property, business and undertaking.

In the event of repayment of capital by AMB (including any cancellation of capital which is lost or unrepresented by assets), each ICPS holder will be entitled to participate in such repayment and shall rank pari passu with the existing ordinary shareholders.

20. RESERVES

		2014	2013
Group	Note	RM'000	RM'000
Share premium	20.1	424,823	424,823
Revaluation reserve	20.2	25,111	25,122
Fair value reserve	20.3	(14,493)	(12,838)
Life non-participating fund surplus		378,554	322,160
Retained earnings	20.4	1,129,578	918,709
		1,943,573	1,677,976
Company			
Share premium	20.1	424,823	424,823
Retained earnings		208,869	217,424
		633,692	642,247

20.1 Share premium

	2014	2013
Group and Company	RM'000	RM'000
At 1 January/31 December	424,823	424,823

NOTES TO THE FINANCIAL STATEMENTS

20. RESERVES (CONTINUED)

20.2 Revaluation reserve

The revaluation reserve relates to the revaluation of owner occupied properties for the general business and shareholders' fund.

Owner occupied properties are stated at valuation based on revaluation conducted by independent professional qualified valuers using the comparison method.

	2014 RM'000	2013 RM'000
Group		
At 1 January	25,122	25,122
Realisation of revaluation gain due to disposal of property, plant and equipment	(11)	-
Effect of tax	-	-
At 31 December	25,111	25,122

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.

	Note	2014 RM'000	2013 RM'000
Group			
Fair value reserve			
At 1 January		(12,838)	19,347
Net loss arising during the year	8	(2,209)	(42,937)
Effect of tax		554	10,752
At 31 December		(14,493)	(12,838)

20.4 Retained earnings

Restriction on payment of dividends

Pursuant to the RBC Framework for Insurers, the insurance subsidiaries of the Group ("Insurance Subsidiaries") shall not pay dividends if the Capital Adequacy Ratio position of the Insurance Subsidiaries is less than Insurance Subsidiaries' internal target capital level or if the payment of dividends would impair Insurance Subsidiaries' Capital Adequacy Ratio position to below Insurance Subsidiaries' internal target.

Additionally, pursuant to Section 51(1) of the FSA, the Company's insurance subsidiaries are required to obtain written approval prior to declaring or paying any dividend on its shares with effect from financial year beginning on 1 January 2014.

NOTES TO THE FINANCIAL STATEMENTS

21. OPERATING REVENUE

Group	Note	2014 RM'000	2013 RM'000
Gross earned premiums	22(a)	4,000,791	3,330,255
Investment income	23	375,393	319,134
		4,376,184	3,649,389
Company			
Investment income	23	23,196	44,656

22. NET EARNED PREMIUMS

Group	Note	2014 RM'000	2013 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	17(a)	1,833,756	1,599,805
General	17.2	2,134,307	1,978,653
		3,968,063	3,578,458
Change in unearned premiums provision:			
Life		-	-
General		32,728	(248,203)
Gross earned premiums		4,000,791	3,330,255
(b) Premiums ceded			
Insurance contracts:			
Life	17(a)	(135,126)	(101,148)
General	17.2	(502,451)	(498,832)
		(637,577)	(599,980)
Change in unearned premiums provision:			
Life		-	-
General		(108,881)	124,138
Premiums ceded to reinsurers		(746,458)	(475,842)
Net earned premiums		3,254,333	2,854,413

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME

Group	Note	2014 RM'000	2013 RM'000
Rental of premises from:			
- Investment properties	6	124	96
- Owner occupied properties		93	56
Fair value through profit or loss - Held for trading financial assets			
Coupon income from:			
- Malaysian government securities		8,870	3,723
- Malaysian government guaranteed bonds		5,795	2,747
- Ringgit denominated bonds by foreign issuers in Malaysia		244	246
- Unquoted bonds of corporations in Malaysia		14,590	8,025
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		11,794	11,485
- Quoted unit trusts in Malaysia		271	225
Interest income from/(to) licensed financial institutions:			
- Structured deposits		646	1,576
- Collateralised forward starting interest rate swap		148	(7)
Accretion of discounts on:			
- Malaysian government securities		276	67
- Malaysian government guaranteed bonds		351	145
- Unquoted bonds of corporations in Malaysia		30	18
- Structured deposits		299	283
Amortisation of premiums on:			
- Malaysian government securities		(86)	(79)
- Malaysian government guaranteed bonds		(27)	(24)
- Unquoted bonds of corporations in Malaysia		(317)	(203)

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME (CONTINUED)

Group	2014 RM'000	2013 RM'000
Available-for-sale financial assets		
Coupon income from:		
- Malaysian government securities	58,453	50,577
- Malaysian government guaranteed bonds	20,914	15,445
- Ringgit denominated bonds by foreign issuers in Malaysia	2,397	2,871
- Unquoted bonds of corporations in Malaysia	43,825	39,987
Dividend income from:		
- Quoted equity securities of corporations in Malaysia	9,775	11,947
- Quoted unit trusts in Malaysia	5,165	3,190
Accretion of discounts on:		
- Malaysian government securities	57	7
- Malaysian government guaranteed bonds	3,277	1,816
- Ringgit denominated bonds by foreign issuers in Malaysia	4	24
- Structured deposits	380	-
Amortisation of premiums on:		
- Malaysian government securities	(2,613)	(5,135)
- Malaysian government guaranteed bonds	(38)	(38)
- Unquoted bonds of corporations in Malaysia	(1,169)	(722)
Interest income from licensed financial institutions:		
- Structured deposits	4,168	2,915

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME (CONTINUED)

Group	2014 RM'000	2013 RM'000
Held-to-maturity financial assets		
Coupon income from:		
- Malaysian government securities	33,031	25,345
- Malaysian government guaranteed bonds	25,600	22,070
- Ringgit denominated bonds by foreign issuers in Malaysia	4,441	4,488
Accretion of discounts on:		
- Malaysian government securities	636	411
- Malaysian government guaranteed bonds	552	530
- Ringgit denominated bonds by foreign issuers in Malaysia	68	65
Amortisation of premiums on:		
- Malaysian government securities	(798)	(662)
- Malaysian government guaranteed bonds	(114)	(107)
Fair value through profit or loss - Designated upon initial recognition financial assets		
Coupon income from:		
- Malaysian government securities	21,615	21,247
- Malaysian government guaranteed bonds	10,506	8,362
- Ringgit denominated bonds by foreign issuers in Malaysia	2,791	2,795
- Unquoted bonds of corporations in Malaysia	50,896	44,923
Interest income from licensed financial institutions:		
- Structured deposits	4,648	4,645
Accretion of discounts on:		
- Malaysian government securities	183	145
- Malaysian government guaranteed bonds	409	351
- Ringgit denominated bonds by foreign issuers in Malaysia	7	6
- Unquoted bonds of corporations in Malaysia	49	455
- Structured deposits	1,205	1,145
Amortisation of premiums on:		
- Malaysian government securities	(1,608)	(1,758)
- Malaysian government guaranteed bonds	(75)	(65)
- Unquoted bonds of corporations in Malaysia	(1,022)	(1,291)

NOTES TO THE FINANCIAL STATEMENTS

23. INVESTMENT INCOME (CONTINUED)

Group	2014 RM'000	2013 RM'000
Loans and receivables		
Interest income from:		
- Malaysian government guaranteed loans	8,643	11,488
- Mortgage loans	640	5
- Policy loans	958	924
- Automatic premium loans	5,851	5,173
Interest income from licensed financial institutions:		
- Fixed and call deposits	13,964	10,667
- Bank balances	4,621	6,514
	375,393	319,134
Company		
Dividend income from subsidiaries	19,823	41,527
Loans and receivables		
Interest income from licensed financial institutions:		
- Fixed and call deposits	929	726
Interest income on subordinated loan	2,444	2,403
	23,196	44,656

24. REALISED GAINS AND LOSSES

Group	2014 RM'000	2013 RM'000
Property, plant and equipment		
Realised gains on disposal	144	-
Investment property		
Realised loss on disposal	(67)	-
Financial assets		
Realised gains on disposal:		
- Malaysian government securities	202	5,699
- Quoted equity securities of corporations in Malaysia	69,110	57,819
- Quoted equity securities of corporations outside Malaysia	215	4
- Unquoted bonds of corporations in Malaysia	-	2,583
- Quoted unit trusts in Malaysia	315	6,956
- Unquoted unit trusts in Malaysia	245	-
- Unquoted unit trusts outside Malaysia	86	73

NOTES TO THE FINANCIAL STATEMENTS

24. REALISED GAINS AND LOSSES (CONTINUED)

	2014 RM'000	2013 RM'000
Group		
Realised losses on disposal:		
- Malaysian government securities	(753)	(183)
- Malaysian government guaranteed bonds	(13)	-
- Quoted equity securities of corporations in Malaysia	(42,459)	(4,158)
- Quoted equity securities of corporations outside Malaysia	(133)	(68)
- Quoted unit trusts in Malaysia	(14)	-
- Unquoted unit trusts outside Malaysia	(1,774)	(1,144)
- Structured deposits	(11)	(3)
- Put options	(1,780)	(3,574)
Total realised gains for financial assets	23,236	64,004
Total net realised gains	23,313	64,004
Company		
Property, plant and equipment		
Realised gains on disposal	184	-

25. FAIR VALUE GAINS AND LOSSES

	Note	2014 RM'000	2013 RM'000
Group			
Investment properties	6	-	638
Held for trading financial assets	8	(28,241)	26,092
Designated upon initial recognition financial assets	8	5,926	(65,949)
Derivatives		28,563	(29,141)
Total fair value gains/(losses) on financial assets at FVTPL		6,248	(68,998)
Impairment loss on AFS financial investments	8	(22,120)	(4,497)
Total fair value losses		(15,872)	(72,857)

NOTES TO THE FINANCIAL STATEMENTS

26. FEE AND COMMISSION

(a) Fee and commission income

Group	Note	2014 RM'000	2013 RM'000
Service charges		16,791	20,161
Deferred acquisition costs	5	391	513
Reinsurance commission income		81,603	73,510
Total fee and commission income		98,785	94,184

(b) Fee and commission expense

Group	Note	2014 RM'000	2013 RM'000
Gross direct commission		583,048	544,471
Deferred acquisition costs	5	(8,154)	(9,053)
Total fee and commission expense		574,894	535,418

27. NET BENEFITS AND CLAIMS

Group	Note	2014 RM'000	2013 RM'000
(a) Gross benefits and claims paid			
Insurance contracts:			
Life	17(a)	(613,610)	(477,983)
General	17.1	(986,853)	(795,435)
		(1,600,463)	(1,273,418)
(b) Claims ceded to reinsurers			
Insurance contracts:			
Life	17(a)	108,930	83,521
General	17.1	154,696	170,355
		263,626	253,876
(c) Gross change in contract liabilities			
Insurance contracts:			
Life		(855,739)	(752,568)
General		(257,788)	(171,638)
		(1,113,527)	(924,206)
(d) Change in contract liabilities ceded to reinsurers			
Insurance contracts:			
Life		(7,560)	(8,996)
General		167,950	(18,909)
		160,390	(27,905)
Net benefits and claims		(2,289,974)	(1,971,653)

NOTES TO THE FINANCIAL STATEMENTS

28. MANAGEMENT EXPENSES

Group	Note	2014 RM'000	2013 RM'000
Advertising and marketing expenses		34,350	28,098
Amortisation of intangible assets	4	14,902	15,166
Auditors' remuneration:			
- statutory audit fees, KPMG Malaysia		750	680
- non-audit fees, KPMG Malaysia		126	18
Insurance and other receivables:			
- allowance/(reversal) for impairment loss		5,459	(1,311)
- bad debts recovered		(204)	(194)
- bad debts written off		937	1,055
Bank charges		11,961	10,735
Depreciation of property, plant and equipment	3	15,723	13,389
Executive directors' emoluments	28.2	4,788	2,369
Non-executive directors' fee and other emoluments	28.2	1,667	3,003
Employee benefits expense	28.1	198,577	199,956
Rental of office equipment		130	163
Rental of premises to third party		9,943	8,597
Other expenses		136,917	118,300
		436,026	400,024
Company			
Advertising and marketing expenses		12	2
Auditors' remuneration:			
- statutory audit fees, KPMG Malaysia		131	125
- non-audit fees, KPMG Malaysia		19	10
Bank charges		2	2
Depreciation of property, plant and equipment	3	241	231
Executive directors' emoluments	28.2	492	341
Non-executive directors' fee and other emoluments	28.2	455	431
Employee benefits expense	28.1	682	918
Rental of premises to third party		13	9
Other expenses		550	494
		2,597	2,563

NOTES TO THE FINANCIAL STATEMENTS

28. MANAGEMENT EXPENSES (CONTINUED)

28.1 Employee benefits expense

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Wages and salaries	154,108	157,673	535	802
Social security contributions	1,058	1,030	4	3
Contributions to Employees' Provident Fund	22,522	21,177	80	82
Other benefits	20,889	20,076	63	31
	198,577	199,956	682	918

28.2 Key management personnel compensation

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Executive directors:				
Salaries and other emoluments	2,378	1,409	209	193
Bonus	2,388	947	261	135
Contribution to Employees' Provident Fund	22	13	22	13
Estimated monetary value of benefits-in-kind	221	297	22	32
	5,009	2,666	514	373
Non-executive directors#:				
Fees	1,045	1,037	326	318
Other emoluments	622	1,966	129	113
Estimated monetary value of benefits-in-kind	30	54	-	-
	1,697	3,057	455	431
Other key management personnel*				
Short term employee benefits	9,729	8,007	-	-

There is 1 non-executive director (2013: 1 non-executive director) not receiving remuneration from the Group and the Company during the financial year.

* 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.

NOTES TO THE FINANCIAL STATEMENTS

28. MANAGEMENT EXPENSES (CONTINUED)**28.2 Key management personnel compensation (continued)**

The number of executive and non-executive directors whose total remuneration and other emoluments received during the year falls within the following bands is:

	Number of directors			
	Group		Company	
	2014	2013	2014	2013
Executive directors:				
Below RM1,000,000	1	1	3	2
RM1,000,000 and above	2	1	-	-
Non-executive directors:				
Below RM100,000	2	1	2	2
RM100,001 – RM200,000	-	-	4	4
RM200,001 – RM300,000	1	1	-	-
RM300,001 – RM400,000	2	2	-	-
RM400,001 – RM500,000	-	-	-	-
RM500,001 – RM600,000	-	-	-	-
RM600,001 – RM700,000	-	-	-	-
RM700,001 – RM800,000	1	1	-	-
RM800,001 – RM900,000	-	-	-	-
RM900,001 – RM1,000,000	-	-	-	-
Above RM1,000,001	-	1	-	-

28.3 Chief executive officers remuneration

	Group		Company	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Salaries and other emoluments	2,134	1,916	148	135
Bonus	2,324	1,601	197	90
Contribution to Employees' Provident Fund	5	165	5	-
Estimated monetary value of benefits-in-kind	215	313	21	30
	4,678	3,995	371	255
Amount included in employee benefits expense	4,678	3,995	371	255

NOTES TO THE FINANCIAL STATEMENTS

29. TAX EXPENSE

29.1 Recognised in profit or loss

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Current tax expense					
Current year		108,748	98,400	225	736
Double taxation relief		-	(4,497)	-	-
Under/(Over) provision in prior years		3,444	(532)	(172)	(247)
		112,192	93,371	53	489
Deferred tax expense					
Origination and reversal of temporary differences		20,461	7,867	7	(15)
(Over)/Under provision in prior years		(5,025)	72	-	-
	16.2	15,436	7,939	7	(15)
Tax expense		127,628	101,310	60	474

29.2 Income tax recognised directly in other comprehensive income

	2014 RM'000	2013 RM'000
Group		
Fair value reserve		
At 1 January	(4,309)	6,443
Net loss arising from change in fair value	(554)	(10,752)
At 31 December	(4,863)	(4,309)
Revaluation reserve		
At 1 January	5,965	5,965
Net gain arising from change in fair value	-	-
At 31 December	5,965	5,965

NOTES TO THE FINANCIAL STATEMENTS

29. TAX EXPENSE (CONTINUED)

29.3 Income tax recognised in insurance contract liabilities

Group	Note	2014 RM'000	2013 RM'000
Available-for-sale fair value reserve			
At 1 January		9,432	6,414
Net (loss)/gain arising from change in fair value	17(a)	(2,524)	3,018
At 31 December		6,908	9,432
Revaluation reserve			
At 1 January		132	132
Net gain arising from change in fair value		-	-
At 31 December		132	132

29.4 Reconciliation of tax expense

Group	2014 RM'000	2013 RM'000
Profit before tax	423,530	339,231
Tax at Malaysian tax rate of 25% (2013: 25%)	105,883	84,807
Tax rate differential of 17% in respect of life fund	2,667	2,026
Income not subject to tax	(137,927)	(121,550)
Section 110B tax credit set off	(878)	(837)
Expenses not deductible for tax purposes	161,562	141,724
Double taxation relief	-	(4,497)
Other items	(2,098)	97
	129,209	101,770
Over provision in prior years	(1,581)	(460)
Tax expense	127,628	101,310
Company		
Profit before tax	20,155	39,640
Tax at Malaysian tax rate of 25% (2013: 25%)	5,039	9,910
Income not subject to tax	(5,011)	(10,035)
Expenses not deductible for tax purposes	204	861
Other items	-	(15)
	232	721
Over provision in prior years	(172)	(247)
Tax expense	60	474

NOTES TO THE FINANCIAL STATEMENTS

29. TAX EXPENSE (CONTINUED)

29.4 Reconciliation of tax expense (continued)

- 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% (2013: 8%) applicable for life insurance business and 25% (2013: 25%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967 ("Act").

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.

- ii) Under Section 60(10A) of the 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 ("MOF") to allow tax losses of the shareholders' fund to be preserved for utilisation against the taxable income from the same source. The industry is still awaiting reply from MOF.

30. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2014 was based on the profit attributable to ordinary shareholders of RM295,902,000 (2013: RM237,921,000) and the weighted average number of ordinary shares in issue during the year of 165,779,000 (2013: 159,420,000).

Group	2014	2013
Profit attributable to ordinary shareholders (RM'000)	295,902	237,921
Weighted average number of shares in issue ('000)	165,779	159,420
Basic earnings per ordinary share (sen)	178.49	149.24

NOTES TO THE FINANCIAL STATEMENTS

30. EARNINGS PER ORDINARY SHARE (CONTINUED)

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2014 was based on profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue after adjusting for the effects of all dilutive potential ordinary shares, calculated as follows:

Group	2014	2013
Profit attributable to ordinary shareholders (RM'000)	295,902	237,921
Weighted average number of shares in issue ('000)	165,779	159,420
Effect of conversion of ICPS, including bonus element ('000)	247,589	244,224
Diluted weighted average number of ordinary shares during the year ('000)	413,368	403,644
Diluted earnings per ordinary share (sen)	71.58	58.94

31. DIVIDENDS

Dividends recognised by the Company are:

	Sen per share (single tier)	Total amount RM'000	Date of payment
2014			
Final 2013 preference	3.00	5,383	6 August 2014
Final 2013 ordinary	2.50	4,169	6 August 2014
Interim 2014 preference	6.00	10,723	30 January 2015
Interim 2014 ordinary	5.00	8,375	30 January 2015
		28,650	

	Sen per share (single tier) /(net of tax)	Total amount RM'000	Date of payment
2013			
Final 2012 preference	7.80	14,566	6 August 2013
Final 2012 ordinary	4.88	7,774	6 August 2013
		22,340	

NOTES TO THE FINANCIAL STATEMENTS

32. OPERATING LEASES

32.1 Leases as lessee

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2014 RM'000	2013 RM'000
Group		
Less than one year	14,622	11,020
Between one and five years	18,445	11,127
	33,067	22,147

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:

	2014 RM'000	2013 RM'000
Group		
Less than one year	160	180
Between one and five years	218	40
	378	220

33. CAPITAL COMMITMENTS

	2014 RM'000	2013 RM'000
Group		
Property, plant and equipment		
Approved but not contracted for	70,434	62,563
Contracted but not provided for	11,716	6,488

NOTES TO THE FINANCIAL STATEMENTS

34. INVESTMENT-LINKED BUSINESS

Investment-linked funds statement of assets and liabilities

Group	Note	2014 RM'000	2013 RM'000
Assets			
Financial investments		498,823	464,341
Interest and dividend receivables and other receivables		10,109	6,326
Cash and cash equivalents		170,362	76,853
Total assets		679,294	547,520
Liabilities			
Deferred tax liabilities		1,844	4,014
Other financial liabilities		4,784	-
Other payables		421	344
Benefits and claims liabilities		13,948	550
Current tax liabilities		74	116
Total liabilities		21,071	5,024
Net asset value of funds	17(a)	658,223	542,496

Investment-linked funds statement of income and expenditure for the year ended 31 December

Group	Note	2014 RM'000	2013 RM'000
Investment income		18,971	18,205
Realised gains and losses		5,631	21,667
Fair value gains and losses		(23,849)	29,010
Other operating income		7	6
		760	68,888
Other operating expenses		(8,284)	(8,220)
(Loss)/Profit before tax		(7,524)	60,668
Tax credit/(expense)		785	(4,835)
Net (loss)/profit for the year	17(a)	(6,739)	55,833

NOTES TO THE FINANCIAL STATEMENTS

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.

NOTES TO THE FINANCIAL STATEMENTS

35. OPERATING SEGMENTS (CONTINUED)

	Investment holding RM'000	General business RM'000	Life business RM'000	Consolidated RM'000
Business segments				
2014				
Segment revenue	11,885	2,292,223	2,072,076	4,376,184
Segment results	(1,714)	319,378	105,866	423,530
Profit before tax				423,530
Tax expense				(127,628)
Profit for the year				295,902
Segment assets	384,197	5,286,994	6,495,535	12,166,726
Segment liabilities	84,404	3,676,475	6,116,068	9,876,947
Inter-segment revenue	(24,926)	-	-	(24,926)
Capital expenditure	103	14,527	4,331	18,961
Depreciation of property, plant and equipment	331	11,696	3,696	15,723
Amortisation of intangible assets	-	10,031	4,871	14,902
Impairment loss on receivables	-	4,606	853	5,459
Amortisation of premiums	-	3,660	4,207	7,867
Accretion of discounts	-	(3,076)	(4,707)	(7,783)
2013				
Segment revenue	11,221	1,838,088	1,800,080	3,649,389
Segment results	(1,115)	258,250	82,096	339,231
Profit before tax				339,231
Tax expense				(101,310)
Profit for the year				237,921
Segment assets	415,093	4,819,320	5,524,349	10,758,762
Segment liabilities	65,711	3,467,586	5,201,283	8,734,580
Inter-segment revenue	(46,832)	-	-	(46,832)
Capital expenditure	85	14,232	56,307	70,624
Depreciation of property, plant and equipment	1,205	8,900	3,284	13,389
Amortisation of intangible assets	-	9,780	5,386	15,166
Reversal of allowance for impairment loss on receivables	-	(2,384)	1,073	(1,311)
Amortisation of premiums	-	5,686	4,398	10,084
Accretion of discounts	-	(1,668)	(3,800)	(5,468)

NOTES TO THE FINANCIAL STATEMENTS

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 2014 RM'000	Amount transacted for the year ended 31 December 2013 RM'000
Group		
Trade		
Ultimate holding company		
Reinsurance premium	(917)	(151)
Related companies*		
Reinsurance premium and commission	(308,315)	(244,670)
Motor insurance premium	(244)	(215)
(Payment)/Receipt of insurance premium	(83)	62
Non-trade		
Ultimate holding company		
Reimbursement/(Payment) of personnel expenses	101	(478)
Payment of global marketing expenses	(1,551)	(1,046)
Payment of advertisement cost	(520)	-
Payment of expenses made on behalf	(129)	(39)

NOTES TO THE FINANCIAL STATEMENTS

36. RELATED PARTIES (CONTINUED)

36.2 The significant transactions with related parties are as follows (continued):

Group	Amount transacted for the year ended 31 December 2014 RM'000	Amount transacted for the year ended 31 December 2013 RM'000
Non-trade (continued)		
Immediate holding company		
Advance	-	54,300
Interest expense on advance received	(2,335)	(2,297)
Related companies*		
Redemption of investment in foreign unit trusts	1,727	765
Payment of service fees	(7,706)	(6,928)
Payment of other expenses	(3,262)	(3,001)
Payment of fund management and fees	(783)	(1,497)
Payment of personnel expenses	(1,586)	(1,365)
Payment of brokerage fees for purchases and disposals of equities	-	(21)
Payment of intranet portal network cost	(222)	(371)
Insurance payment	(1,127)	(146)
Rental expenses	(391)	(169)
Rental income	573	360
Reimbursement of sharing of common expenses	217	858
Sharing of asset and investment manager database expenses	(543)	(281)
Payment of purchases of various software licenses	(91)	(28)
Sharing of expenses of HR database platform and recruitment solution	(59)	(24)
Payment of relationship management fees	(600)	-
Reimbursement of investment management service fee	160	-
Payment of legal and risk management fees	(491)	-

* Related companies are companies within the Allianz SE group

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Note 9, 10, 13 and 14.

NOTES TO THE FINANCIAL STATEMENTS

36. RELATED PARTIES (CONTINUED)

36.2 The significant transactions with related parties are as follows (continued):

Company	Amount transacted for the year ended 31 December 2014 RM'000	Amount transacted for the year ended 31 December 2013 RM'000
Non-trade		
Immediate holding company		
Advance	-	54,300
Interest expense on advance received	(2,335)	(2,297)
Subsidiaries		
Dividend income	19,823	41,527
Subordinated loan	-	(54,300)
Reimbursement/(Payment) of other expenses	90	(77)
Reimbursement of expenses related to common resources	14,380	12,833
Interest income on subordinated loan	2,444	2,403
Rental of other premises	(11)	(9)

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Note 10, 14 and 15.

37. RISK MANAGEMENT FRAMEWORK

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is an integrated part of the Group's business process. In order to protect the assets of the Group, the Group has established a risk management framework to promote a risk management culture supported by a robust risk governance structure.

This framework ensures that risks are identified, analysed and evaluated. Risk appetite is defined by a risk strategy and limit structure. Close monitoring and reporting allows the Group to detect deviations from its risk tolerance limits at an early stage.

The Allianz risk management 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 reporting and monitoring

The Group's qualitative and quantitative risk reporting and controlling framework provides transparency and risk indicators to senior management with regards to its overall risk profile and whether the profile is within delegated limits and authorities.

NOTES TO THE FINANCIAL STATEMENTS

37. RISK MANAGEMENT FRAMEWORK (CONTINUED)

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.

Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Group's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

Risk governance structure

The Board of Directors of the Company ("the Board") assumes the ultimate responsibility over the effectiveness of the Group's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee ("RMC") to discharge its oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Group. RMC also oversees the Senior Management's activities in managing the key risk areas of the Group and to ensure that the risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of the Group and to report to the Board on its recommendations and/or decisions. Through structured reporting from the Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

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/profit yield risk and market risk.

The ALM process chosen will reflect external and internal constraints.

- External constraints include supervisory and legislative requirements, the interests and expectations of policyholders and other stakeholders. A significant constraint is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.
- Internal constraints such as asset allocation limits reflect the Group's management philosophy or professional judgement (although this may also be influenced by external constraints).

Governance and regulatory framework

The Group is required to comply with the requirements of the Financial Services Act, 2013, relevant laws and guidelines 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.

NOTES TO THE FINANCIAL STATEMENTS

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 risk through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards.

38.1 Life insurance contracts

The insurance risk of Life insurance contracts consists of mortality/ longevity 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	
31 December 2014							
Whole life	2,163,990	621,708	2,785,698	-	(10,263)	(10,263)	2,775,435
Endowment	596,299	608,484	1,204,783	-	-	-	1,204,783
Mortgage	-	107,232	107,232	-	(59,717)	(59,717)	47,515
Riders and others	419,781	177,236	597,017	-	-	-	597,017
Total	3,180,070	1,514,660	4,694,730	-	(69,980)	(69,980)	4,624,750
31 December 2013							
Whole life	1,862,139	435,066	2,297,205	-	(10,645)	(10,645)	2,286,560
Endowment	562,767	454,346	1,017,113	-	-	-	1,017,113
Mortgage	-	119,097	119,097	-	(66,895)	(66,895)	52,202
Riders and others	384,098	138,513	522,611	-	-	-	522,611
Total	2,809,004	1,147,022	3,956,026	-	(77,540)	(77,540)	3,878,486

As all of the business is derived from Malaysia, the entire life insurance contract liabilities are in Malaysia and no investment contract.

NOTES TO THE FINANCIAL STATEMENTS

38. INSURANCE RISK (CONTINUED)

38.1 Life insurance contracts (continued)

Key assumptions

Significant judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation. They are further evaluated on a continuous basis in order to ensure realistic and reasonable valuations.

The key assumptions to which the estimation of liabilities is particularly sensitive are as follows:

- **Mortality and morbidity rates**
Experience study on mortality and morbidity rates is carried out on an annual basis. The actual claim experience is compared against industrial mortality table and reinsurers' morbidity risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

ALIM can increase the mortality/morbidity risk charges in future years in line with emerging experience for investment-linked and universal life contracts.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Expenses**
Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually; it is compared to actual expense that the subsidiary incurred.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Persistency**
Experience study on persistency (lapse, surrender, premium holiday, partial withdrawal) is carried out on an annual basis using statistical method. Persistency assumptions vary by product type, distribution channel and policy duration.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

NOTES TO THE FINANCIAL STATEMENTS

38. INSURANCE RISK (CONTINUED)

38.1 Life insurance contracts (continued)

Key assumptions (continued)

- 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.

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 ⁽¹⁾		Lapse and surrender rates		Discount rate	
	2014	2013	2014	2013	2014	2013
	%	%	%	%	%	%
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-80	70-80	3-30	3-30	4.50-6.50	4.50-6.50
Without DPF contracts						
Life insurance	60-150	70-150	3-50	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 or the respective reinsurance risk rates.

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.

NOTES TO THE FINANCIAL STATEMENTS

38. INSURANCE RISK (CONTINUED)

38.1 Life insurance contracts (continued)

Sensitivities (continued)

Group	Change in assumptions	Impact on profit before tax [#] RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
Life insurance contracts				
31 December 2014				
Mortality and morbidity rates	+5%	(7,357)	14,386	11,400
Discount rate	-0.5%	(24,031)	291,139	289,013
Expenses	+10%	(9,020)	16,052	16,052
Lapse and surrender rates	-10%	1,578	15,760	15,474
31 December 2013				
Mortality and morbidity rates	+5%	(5,851)	13,802	10,310
Discount rate	-0.5%	(23,472)	248,371	245,984
Expenses	+10%	(10,653)	18,468	18,468
Lapse and surrender rates	-10%	978	24,083	23,744

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 risk represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

NOTES TO THE FINANCIAL STATEMENTS

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

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.

	2014			2013		
	Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire	229,593	(135,251)	94,342	220,420	(134,431)	85,989
Motor	1,306,195	(281,993)	1,024,202	1,117,069	(163,509)	953,560
Marine, aviation, cargo and transit	126,180	(103,637)	22,543	148,218	(122,783)	25,435
Miscellaneous	688,912	(500,727)	188,185	607,385	(432,935)	174,450
Total	2,350,880	(1,021,608)	1,329,272	2,093,092	(853,658)	1,239,434

Key assumptions

The principal assumption underlying the liability estimates is that the subsidiary's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

No discounting is made to the recommended claims and premium liability provisions as a prudent measure. In addition, no explicit inflation adjustment has been made to claims amount payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development. It is worthwhile to note that discounting is unlikely to result in any material impact due to the short tail nature of almost all classes, coupled with the low prevailing interest rate environment.

The subsidiary has based its risk margin for adverse deviation ("PRAD") for the provisions for 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.

NOTES TO THE FINANCIAL STATEMENTS

38. INSURANCE RISK (CONTINUED)

38.2 General insurance contracts (continued)

Sensitivities (continued)

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit before tax RM'000	Impact on equity* RM'000
31 December 2014					
Average claim cost	+10%	211,403	136,456	(136,456)	(102,342)
Average number of claims	+10%	187,218	123,196	(123,196)	(92,397)
Average claim settlement period	Increased by 6 months	44,525	27,024	(27,024)	(20,268)
31 December 2013					
Average claim cost	+10%	187,625	119,436	(119,436)	(89,577)
Average number of claims	+10%	163,978	110,344	(110,344)	(82,758)
Average claim settlement period	Increased by 6 months	39,756	23,653	(23,653)	(17,740)

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant assumptions did not change from the previous year.

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the subsidiary believes that the estimate of total claims outstanding as of 31 December 2014 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

38. INSURANCE RISK (CONTINUED)

Claims development table (continued)

[illegible]

38. INSURANCE RISK (CONTINUED)

Claims development table (continued)[illegible]

NOTES TO THE FINANCIAL STATEMENTS

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 and the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the underwriting of insurance business and the investment in fixed income instruments. The Company's exposure to credit risk arises principally from subordinated loan to subsidiary. Financial loss may materialise when the counterparties failed to meet payment obligations for various reasons.

The Group has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an 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 new bond investments must carry a minimum rating of AA- by rating agencies established in Malaysia or a minimum rating of BBB- by any internationally recognised rating agency as outlined in the Group's Investment Mandate which is approved by the Board of Directors.

The Group and the Company consider 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.

	Neither past-due nor impaired					Total RM'000
	Investment grade* RM'000	Non- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
Group						
2014						
HTM financial investments						
Malaysian government securities	-	-	945,957	-	-	945,957
Malaysian government guaranteed bonds	-	-	619,370	-	-	619,370
Ringgit denominated bonds by foreign issuers in Malaysia	99,853	-	-	-	-	99,853

* Investment grade is defined as investment with rating BBB and above.

NOTES TO THE FINANCIAL STATEMENTS

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- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
2014 (continued)						
LAR						
Malaysian government guaranteed loans	-	-	260,000	-	-	260,000
Other loans and receivables	-	-	103,491	-	-	103,491
Fixed and call deposits	11,279	-	-	-	-	11,279
AFS financial investments						
Malaysian government securities	-	-	1,568,615	-	-	1,568,615
Malaysian government guaranteed bonds	90,253	-	512,807	-	-	603,060
Ringgit denominated bonds by foreign issuers in Malaysia	53,590	-	-	-	-	53,590
Debt securities	1,025,763	-	-	-	-	1,025,763
Structured deposits with licensed financial institutions	123,143	-	-	-	-	123,143
FVTPL - HFT financial investments						
Malaysian government securities	-	-	257,953	4,397	-	262,350
Malaysian government guaranteed bonds	-	-	148,253	16,434	-	164,687
Ringgit denominated bonds by foreign issuers in Malaysia	1,536	-	-	3,585	-	5,121
Debt securities	277,473	-	-	127,642	-	405,115
Structured deposits with licensed financial institutions	14,978	-	-	14,979	-	29,957
FVTPL – DUIR financial investments						
Malaysian government securities	-	-	479,390	-	-	479,390
Malaysian government guaranteed bonds	-	-	257,850	-	-	257,850
Ringgit denominated bonds by foreign issuers in Malaysia	61,874	-	-	-	-	61,874
Debt securities	1,110,491	-	-	-	-	1,110,491
Structured deposits with licensed financial institutions	121,173	-	-	-	-	121,173

* Investment grade is defined as investment with rating BBB and above.

NOTES TO THE FINANCIAL STATEMENTS

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- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
2014 (continued)						
Derivative financial assets						
Collateralised forward starting interest rate swap	-	-	6,958	-	-	6,958
Put option	-	-	711	-	-	711
Reinsurance assets	618,602	13	188,853	-	-	807,468
Insurance receivables	1,366	-	185,736	-	10,511	197,613
Other receivables and deposits	-	-	229,208	10,109	-	239,317
Cash and cash equivalents	490,308	-	5,913	170,362	-	666,583
	4,101,682	13	5,771,065	347,508	10,511	10,230,779

Company	Neither past-due nor impaired					Total RM'000
	Investment grade* RM'000	Non- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
2014						
LAR						
Fixed and call deposits	11,279	-	-	-	-	11,279
Other receivables and deposits	-	-	26,779	-	-	26,779
Subordinated loan	-	-	54,300	-	-	54,300
Cash and cash equivalents	12,278	-	-	-	-	12,278
	23,557	-	81,079	-	-	104,636

* Investment grade is defined as investment with rating BBB and above.

NOTES TO THE FINANCIAL STATEMENTS

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- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
2013						
HTM financial investments						
Malaysian government securities	-	-	680,270	-	-	680,270
Malaysian government guaranteed bonds	-	-	543,837	-	-	543,837
Ringgit denominated bonds by foreign issuers in Malaysia	99,785	-	-	-	-	99,785
LAR						
Malaysian government guaranteed loans	-	-	260,000	-	-	260,000
Other loans and receivables	-	-	85,824	-	-	85,824
Fixed and call deposits	19,916	-	5,000	157	-	25,073
AFS financial investments						
Malaysian government securities	-	-	1,429,453	-	-	1,429,453
Malaysian government guaranteed bonds	90,842	-	384,825	-	-	475,667
Ringgit denominated bonds by foreign issuers in Malaysia	54,033	-	-	-	-	54,033
Debt securities	953,635	3,726	-	-	-	957,361
Structured deposits with licensed financial institutions	82,877	-	-	-	-	82,877
FVTPL - HFT financial investments						
Malaysian government securities	-	-	137,442	24,279	-	161,721
Malaysian government guaranteed bonds	-	-	99,298	7,444	-	106,742
Ringgit denominated bonds by foreign issuers in Malaysia	1,558	-	-	3,635	-	5,193
Debt securities	133,353	-	-	84,590	-	217,943
Structured deposits with licensed financial institutions	-	-	-	25,195	-	25,195

* Investment grade is defined as investment with rating BBB and above.

NOTES TO THE FINANCIAL STATEMENTS

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- investment grade RM'000	Non-rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	
2013 (continued)						
FVTPL- DUIR financial investments						
Malaysian government securities	-	-	508,076	-	-	508,076
Malaysian government guaranteed bonds	-	-	250,557	-	-	250,557
Ringgit denominated bonds by foreign issuers in Malaysia	62,416	-	-	-	-	62,416
Debt securities	933,136	5,110	-	-	-	938,246
Structured deposits with licensed financial institutions	119,647	-	-	-	-	119,647
Derivative financial assets						
Collateralised forward starting interest rate swap	-	-	-	-	-	-
Reinsurance assets	593,860	3,774	133,879	-	-	731,513
Insurance receivables	2,647	217	149,548	-	10,629	163,041
Other receivables and deposits	-	-	169,043	6,326	-	175,369
Cash and cash equivalents	534,964	-	6,682	76,853	-	618,499
	3,682,669	12,827	4,843,734	228,479	10,629	8,778,338

Company	Neither past-due nor impaired					Total RM'000
	Investment grade*	Non- investment grade	Non-rated	Investment- linked funds	Past-due but not impaired	
	RM'000	RM'000	RM'000	RM'000	RM'000	
2013						
LAR						
Fixed and call deposits	19,916	-	-	-	-	19,916
Other receivables and deposits	-	-	5,250	-	-	5,250
Subordinated loan	-	-	54,300	-	-	54,300
Cash and cash equivalents	14,069	-	-	-	-	14,069
	33,985	-	59,550	-	-	93,535

* Investment grade is defined as investment with rating BBB and above.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the 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.

	AAA	AA	A	BBB	BB and below	Non- rated	Investment- linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
HTM financial investments								
Malaysian government securities	-	-	-	-	-	945,957	-	945,957
Malaysian government guaranteed bonds	-	-	-	-	-	619,370	-	619,370
Ringgit denominated bonds by foreign issuers in Malaysia	84,853	15,000	-	-	-	-	-	99,853
LAR								
Malaysian government guaranteed loans	-	-	-	-	-	260,000	-	260,000
Other loans and receivables	-	-	-	-	-	103,491	-	103,491
Fixed and call deposits	5,027	6,252	-	-	-	-	-	11,279
AFS financial investments								
Malaysian government securities	-	-	-	-	-	1,568,615	-	1,568,615
Malaysian government guaranteed bonds	90,253	-	-	-	-	512,807	-	603,060
Ringgit denominated bonds by foreign issuers in Malaysia	52,079	1,511	-	-	-	-	-	53,590
Debt securities	342,585	679,429	-	3,749	-	-	-	1,025,763
Structured deposits with licensed financial institutions	123,143	-	-	-	-	-	-	123,143
FVTPL - HFT financial investments								
Malaysian government securities	-	-	-	-	-	257,953	4,397	262,350
Malaysian government guaranteed bonds	-	-	-	-	-	148,253	16,434	164,687

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non- rated RM'000	Investment- linked funds RM'000	Total RM'000
2014 (continued)								
FVTPL - HFT financial investments (continued)								
Ringgit denominated bonds by foreign issuers in Malaysia	1,536	-	-	-	-	-	3,585	5,121
Debt securities	132,703	144,770	-	-	-	-	127,642	405,115
Structured deposits with licensed financial institutions	14,978	-	-	-	-	-	14,979	29,957
FVTPL – DUIR financial investments								
Malaysian government securities	-	-	-	-	-	479,390	-	479,390
Malaysian government guaranteed bonds	-	-	-	-	-	257,850	-	257,850
Ringgit denominated bonds by foreign issuers in Malaysia	53,312	8,562	-	-	-	-	-	61,874
Debt securities	529,378	575,933	-	5,180	-	-	-	1,110,491
Structured deposits with licensed financial institutions	121,173	-	-	-	-	-	-	121,173
Derivative financial assets								
Collateralised forward starting interest rate swap	-	-	-	-	-	6,958	-	6,958
Put option	-	-	-	-	-	711	-	711
Reinsurance assets	-	422,829	195,658	115	13	188,853	-	807,468
Insurance receivables	-	163	1,203	-	-	196,247	-	197,613
Other receivables and deposits	-	-	-	-	-	229,208	10,109	239,317
Cash and cash equivalents	343,075	87,316	59,917	-	-	5,913	170,362	666,583
	1,894,095	1,941,765	256,778	9,044	13	5,781,576	347,508	10,230,779

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non- rated RM'000	Investment- linked funds RM'000	Total RM'000
2014								
LAR								
Fixed and call deposits	5,027	6,252	-	-	-	-	-	11,279
Other receivables and deposits	-	-	-	-	-	26,779	-	26,779
Subordinated loan	-	-	-	-	-	54,300	-	54,300
Cash and cash equivalents	10,717	-	1,561	-	-	-	-	12,278
	15,744	6,252	1,561	-	-	81,079	-	104,636

Group	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	BB and below RM'000	Non- rated RM'000	Investment- linked funds RM'000	Total RM'000
2013								
HTM financial investments								
Malaysian government securities	-	-	-	-	-	680,270	-	680,270
Malaysian government guaranteed bonds	-	-	-	-	-	543,837	-	543,837
Ringgit denominated bonds by foreign issuers in Malaysia	84,785	15,000	-	-	-	-	-	99,785
LAR								
Malaysian government guaranteed loans	-	-	-	-	-	260,000	-	260,000
Other loans and receivables	-	-	-	-	-	85,824	-	85,824
Fixed and call deposits	12,164	6,252	1,500	-	-	5,000	157	25,073
AFS financial investments								
Malaysian government securities	-	-	-	-	-	1,429,453	-	1,429,453
Malaysian government guaranteed bonds	90,842	-	-	-	-	384,825	-	475,667

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA	AA	A	BBB	BB and below	Non- rated	Investment- linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013 (continued)								
AFS financial investments (continued)								
Ringgit denominated bonds by foreign issuers in Malaysia	52,516	1,517	-	-	-	-	-	54,033
Debt securities	366,259	587,376	-	-	3,726	-	-	957,361
Structured deposits with licensed financial institutions	82,877	-	-	-	-	-	-	82,877
FVTPL - HFT financial investments								
Malaysian government securities	-	-	-	-	-	137,442	24,279	161,721
Malaysian government guaranteed bonds	-	-	-	-	-	99,298	7,444	106,742
Ringgit denominated bonds by foreign issuers in Malaysia	1,558	-	-	-	-	-	3,635	5,193
Debt securities	64,233	69,120	-	-	-	-	84,590	217,943
Structured deposits with licensed financial institutions	-	-	-	-	-	-	25,195	25,195
FVTPL – DUIR financial investments								
Malaysian government securities	-	-	-	-	-	508,076	-	508,076
Malaysian government guaranteed bonds	-	-	-	-	-	250,557	-	250,557
Ringgit denominated bonds by foreign issuers in Malaysia	53,817	8,599	-	-	-	-	-	62,416
Debt securities	373,489	559,647	-	-	5,110	-	-	938,246
Structured deposits with licensed financial institutions	119,647	-	-	-	-	-	-	119,647

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

	AAA	AA	A	BBB	BB and below	Non- rated	Investment- linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013 (continued)								
Derivative financial assets								
Collateralised forward starting interest rate swap	-	-	-	-	-	-	-	-
Reinsurance assets	-	364,095	229,745	20	3,774	133,879	-	731,513
Insurance receivables	-	472	2,126	49	217	160,177	-	163,041
Other receivables and deposits	-	-	-	-	-	169,043	6,326	175,369
Cash and cash equivalents	467,147	28,553	39,264	-	-	6,682	76,853	618,499
	1,769,334	1,640,631	272,635	69	12,827	4,854,363	228,479	8,778,338

	AAA	AA	A	BBB	BB and below	Non- rated	Investment- linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013								
LAR								
Fixed and call deposits	12,164	6,252	1,500	-	-	-	-	19,916
Other receivables and deposits	-	-	-	-	-	5,250	-	5,250
Subordinated loan	-	-	-	-	-	54,300	-	54,300
Cash and cash equivalents	10,069	-	4,000	-	-	-	-	14,069
	22,233	6,252	5,500	-	-	59,550	-	93,535

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and the Company's categorisation of counterparties by credit rating.

	AAA	AA	A	BBB	BB and below	Non- rated	Investment- linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
Investment grade	1,894,095	1,941,765	256,778	9,044	-	-	323,451	4,425,133
Non-investment grade	-	-	-	-	13	-	-	13
Non-rated	-	-	-	-	-	5,771,065	24,057	5,795,122
Past-due but not impaired	-	-	-	-	-	10,511	-	10,511
	1,894,095	1,941,765	256,778	9,044	13	5,781,576	347,508	10,230,779

	AAA	AA	A	BBB	BB and below	Non- rated	Investment- linked funds	Total
Group	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013								
Investment grade	1,769,334	1,640,631	272,635	69	-	-	190,430	3,873,099
Non-investment grade	-	-	-	-	12,827	-	-	12,827
Non-rated	-	-	-	-	-	4,843,734	38,049	4,881,783
Past-due but not impaired	-	-	-	-	-	10,629	-	10,629
	1,769,334	1,640,631	272,635	69	12,827	4,854,363	228,479	8,778,338

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group and the Company according to the Group's and the Company's categorisation of counterparties by credit rating.

	AAA	AA	A	BBB	BB and below	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2014								
Investment grade	15,744	6,252	1,561	-	-	-	-	23,557
Non-rated	-	-	-	-	-	81,079	-	81,079
	15,744	6,252	1,561	-	-	81,079	-	104,636

	AAA	AA	A	BBB	BB and below	Non-rated	Investment-linked funds	Total
Company	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2013								
Investment grade	22,233	6,252	5,500	-	-	-	-	33,985
Non-rated	-	-	-	-	-	59,550	-	59,550
	22,233	6,252	5,500	-	-	59,550	-	93,535

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
2014						
Insurance receivables	5,512	1,290	1,029	2,680	-	10,511
2013						
Insurance receivables	7,762	1,697	381	789	-	10,629

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

As at 31 December 2014, based on combination of collective and individual assessment of receivables, there are impaired insurance receivables of RM22,359,000 (2013: RM19,357,000) and other receivables of RM6,363,000 (2013: RM3,906,000) 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	19,357	20,531	3,906	4,043
Impairment loss recognised/ (reversed)	3,002	(1,174)	2,457	(137)
At 31 December	22,359	19,357	6,363	3,906
	Note 9	Note 9	Note 10	Note 10

39.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Group and the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Group and the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a 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 insurance contract liabilities and 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.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.2 Liquidity risk (continued)

Maturity profiles (continued)

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2014								
Insurance contract liabilities								
With DPF	3,321,767	424,915	94,723	314,275	1,851,636	9,500,518	-	12,186,067
Without DPF	2,172,882	1,725,793	47,311	39,970	300,013	364,018	-	2,477,105
Derivative financial liabilities	161	161	-	-	-	-	-	161
Provision for claims	1,713,357	921,766	559,185	121,911	110,495	-	-	1,713,357
Other financial liabilities	5,739	4,929	810	-	-	-	-	5,739
Insurance payables	353,177	335,180	16,614	1,383	-	-	-	353,177
Other payables and accruals	308,979	257,014	4,676	55,477	-	-	-	317,167
Benefits and claims liabilities	167,702	167,702	-	-	-	-	-	167,702
Total liabilities	8,043,764	3,837,460	723,319	533,016	2,262,144	9,864,536	-	17,220,475
Company								
2014								
Other payables and accruals	253,754	201,788	4,676	55,477	-	-	-	261,941
Group								
2013								
Insurance contract liabilities								
With DPF	2,978,413	376,578	(72,968)	331,765	2,047,466	7,584,472	-	10,267,313
Without DPF	1,689,517	1,246,540	20,351	60,370	303,698	356,005	-	1,986,964
Derivative financial liabilities	20,950	20,950	-	-	-	-	-	20,950
Provision for claims	1,564,159	846,152	484,622	112,794	120,591	-	-	1,564,159
Other financial liabilities	3,612	2,621	991	-	-	-	-	3,612
Insurance payables	337,233	318,744	16,601	1,888	-	-	-	337,233
Other payables and accruals	281,273	228,227	4,899	57,975	-	-	-	291,101
Benefits and claims liabilities	117,858	117,858	-	-	-	-	-	117,858
Total liabilities	6,993,015	3,157,670	454,496	564,792	2,471,755	7,940,477	-	14,589,190
Company								
2013								
Other payables and accruals	190,561	137,520	4,894	57,975	-	-	-	200,389

NOTES TO THE FINANCIAL STATEMENTS

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/profit yield risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee actively monitors the investment activities undertaken by the Group.
- 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, company limits and sector limits are in place. Compliance to such limits is monitored monthly and reported to Risk Management Working Committee/Risk Management Committee on a quarterly basis.
- Stress tests are performed as and when needed.
- Stop loss policy is in place.

The Group also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from 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 currency risk arises principally with respect to US Dollar (USD), Australian Dollar (AUD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk. All foreign currency risk in investment-linked funds is borne by policyholders.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.1 Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Group	Financial assets	Investment-linked funds	Financial assets	Investment-linked funds
	2014 RM'000	2014 RM'000	2013 RM'000	2013 RM'000
Denominated in				
USD	41,677	12,661	36,185	14,491
AUD	-	-	-	25,195
SGD	-	439	-	564
THB	-	110	-	146
IDR	-	269	-	170

Currency risk sensitivity analysis

It is estimated that a 10% (2013:10%) 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	Impact on insurance contract liabilities
	2014 RM'000	2013 RM'000
Denominated in		
USD	(5,434)	(5,068)
AUD	-	(2,520)
SGD	(44)	(56)
THB	(11)	(15)
IDR	(27)	(17)

It is estimated that a 10% (2013:10%) weakening of the Ringgit Malaysia (RM) against the above currencies at the end of the reporting period would have equal but opposite effect on the above currencies to the amount shown above, on the basis that all variables remained constant.

The method used for deriving sensitivity information and significant variables did not change from previous year. Only life participating fund and investment-linked funds invested in foreign financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.2 Interest rate/profit yield risk

The Group is affected by changes in market interest rates due to the impact of such changes on fair value 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.

Interest rate/profit yield risk sensitivity analysis

The analysis below is performed for reasonable possible movements in interest rates with all other variables held constant, showing the impact on the profit before tax, equity and insurance contract liabilities.

Life insurance:

Group	Change in variables	Impact on profit before tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
31 December 2014				
Interest rate	+100 basis points	(68,462)	(47,798)	(96,335)
Interest rate	+200 basis points	(130,638)	(91,220)	(183,716)
31 December 2013				
Interest rate	+100 basis points	(74,889)	(52,275)	(64,682)
Interest rate	+200 basis points	(142,704)	(99,625)	(123,591)

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 interest rate/profit yield risk resides in shareholders' fund, life non-participating fund, life participating or investment-linked funds. Where the interest 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/profit yield 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.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.2 Interest rate/profit yield risk (continued)

Interest rate/profit yield risk sensitivity analysis (continued)

The method used for deriving sensitivity information and significant variables did not change from the previous year.

General insurance:

Group	Change in variables	Impact on profit before tax RM'000	Impact on equity* RM'000
31 December 2014			
Interest rate	+ 100 basis points	-	(79,394)
Interest rate	+ 50 basis points	-	(39,697)
31 December 2013			
Interest rate	+ 100 basis points	-	(71,611)
Interest rate	+ 50 basis points	-	(35,805)

* Impact on equity reflects adjustments for tax, where applicable.

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/profit yield 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.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.3 Market risk (continued)

39.3.3 Equity price risk (continued)

		2014			2013		
Group	Changes in variables	Impact on profit before tax [#]	Impact on equity*	Impact on insurance contract liabilities**	Impact on profit before tax [#]	Impact on equity*	Impact on insurance contract liabilities**
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Market indices							
Market value	-10%	-	-	(74,369)	-	-	(77,733)
Market value	-20%	-	-	(147,932)	-	-	(154,328)

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 fund, life participating 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, universal life fund and investment-linked funds invested in equity securities.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

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.

39.5 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, put option and collateralised 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 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 of corporations in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified.
- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers in Malaysia and unquoted bonds of corporations in Malaysia 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 Malaysian government guaranteed loans, policy loans, mortgage loans, automatic premium loans, subordinated loan, other secured loans, fixed and call deposits and advance from holding company are assumed to reasonably approximate their fair values.
- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits, other financial liabilities, insurance payables, other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers in Malaysia, and unquoted bonds of corporations in Malaysia 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 of corporations in Malaysia due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.5 Financial instruments (continued)

39.5.1 Fair value information

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2014										
Financial assets										
Malaysian government securities	-	2,310,355	-	2,310,355	-	938,883	-	938,883	3,249,238	3,256,312
Malaysian government guaranteed bonds	-	1,025,597	-	1,025,597	-	613,090	-	613,090	1,638,687	1,644,967
Ringgit denominated bonds by foreign issuers in Malaysia	-	120,585	-	120,585	-	100,909	-	100,909	221,494	220,438
Quoted equity securities of corporations in Malaysia	777,985	-	-	777,985	-	-	-	-	777,985	777,985
Quoted equity securities of corporations outside Malaysia	819	-	-	819	-	-	-	-	819	819
Unquoted bonds of corporations in Malaysia	-	2,541,369	-	2,541,369	-	-	-	-	2,541,369	2,541,369
Quoted unit trusts in Malaysia	57,844	-	-	57,844	-	-	-	-	57,844	57,844
Unquoted unit trusts in Malaysia	-	2,980	-	2,980	-	-	-	-	2,980	2,980
Unquoted unit trusts outside Malaysia	-	54,337	-	54,337	-	-	-	-	54,337	54,337
Structured deposits with licensed financial institutions	-	274,273	-	274,273	-	-	-	-	274,273	274,273
Malaysian government guaranteed loans	-	-	-	-	-	260,000	-	260,000	260,000	260,000
Collateralised forward starting interest rate swap	-	6,958	-	6,958	-	-	-	-	6,958	6,958
Put option	-	711	-	711	-	-	-	-	711	711
	836,648	6,337,165	-	7,173,813	-	1,912,882	-	1,912,882	9,086,695	9,098,993

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.5 Financial instruments (continued)

39.5.1 Fair value information (continued)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2014 (continued)										
Financial liabilities										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300
Collateralised forward starting interest rate swap	-	161	-	161	-	-	-	-	161	161
	-	161	-	161	-	54,300	-	54,300	54,461	54,461
Company										
2014										
Financial liability										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2013										
Financial assets										
Malaysian government securities	-	2,099,250	-	2,099,250	-	669,761	-	669,761	2,769,011	2,779,520
Malaysian government guaranteed bonds	-	832,966	-	832,966	-	522,711	-	522,711	1,355,677	1,376,803
Ringgit denominated bonds by foreign issuers in Malaysia	-	121,642	-	121,642	-	101,848	-	101,848	223,490	221,427

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.5 Financial instruments (continued)

39.5.1 Fair value information (continued)

Group	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2013 (continued)										
Financial assets (continued)										
Quoted equity securities of corporations in Malaysia	795,603	-	-	795,603	-	-	-	-	795,603	795,603
Quoted equity securities of corporations outside Malaysia	880	-	-	880	-	-	-	-	880	880
Unquoted bonds of corporations in Malaysia	-	2,113,550	-	2,113,550	-	-	-	-	2,113,550	2,113,550
Quoted unit trusts in Malaysia	52,797	-	-	52,797	-	-	-	-	52,797	52,797
Unquoted unit trusts in Malaysia	-	5,390	-	5,390	-	-	-	-	5,390	5,390
Unquoted unit trusts outside Malaysia	-	50,676	-	50,676	-	-	-	-	50,676	50,676
Structured deposits with licensed financial institutions	-	227,719	-	227,719	-	-	-	-	227,719	227,719
Malaysian government guaranteed loans	-	-	-	-	-	260,000	-	260,000	260,000	260,000
Collateralised forward starting interest rate swap	-	-	-	-	-	-	-	-	-	-
Put option	-	-	-	-	-	-	-	-	-	-
	849,280	5,451,193	-	6,300,473	-	1,554,320	-	1,554,320	7,854,793	7,884,365
2013										
Financial liabilities										
Advance from holding company	-	-	-	-	-	54,300	-	54,300	54,300	54,300
Collateralised forward starting interest rate swap	-	20,950	-	20,950	-	-	-	-	20,950	20,950
	-	20,950	-	20,950	-	54,300	-	54,300	75,250	75,250

NOTES TO THE FINANCIAL STATEMENTS

39. FINANCIAL RISKS (CONTINUED)

39.5 Fair value of financial instruments (continued)

39.5.2 Fair value information

Transfers between Level 1 and Level 2 fair values

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2013: no transfer in either direction).

40. CAPITAL MANAGEMENT

Regulatory capital requirements

The Risk Based Capital Framework ("RBC") came into effect on 1 January 2009. Under the RBC Framework, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The insurance subsidiaries of the Group have met their regulatory requirements.

NOTES TO THE FINANCIAL STATEMENTS

41. 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 follows:

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Total retained earnings of Allianz Malaysia Berhad and its subsidiaries:				
- Realised	1,615,674	1,331,246	208,862	217,439
- Unrealised	(107,542)	(90,377)	7	(15)
Total retained earnings	1,508,132	1,240,869	208,869	217,424

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 Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants on 20 December 2010.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

In the opinion of the Directors, the financial statements set out on pages 160 to 275 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2014 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 41 on page 276 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

.....
Zakri Bin Mohd Khir

Kuala Lumpur,
Date: 27 February 2015

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 160 to 276 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 Federal Territory on 27 February 2015.

.....
Ong Eng Chow

Before me:

Manoharan A/L Sellamuthu

No. W656

Pesuruhjaya Sumpah

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 2014 of the Group and of the Company, and the statements of profit or loss, profit or loss and other comprehensive income, changes in equity and cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 160 to 275.

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 is 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 2014 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ALLIANZ MALAYSIA BERHAD

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 41 on page 276 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 the 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

Petaling Jaya

Date: 27 February 2015

Loh Kam Hian

Approval Number: 2941/09/16(J)
Chartered Accountant

Form of Proxy

ALLIANZ MALAYSIA BERHAD (12428-W)

(Incorporated in Malaysia)

Number of Shares Held	
CDS Account No.	
Contact No.	

I/We (name of shareholder) _____

NRIC No./Passport No./Company No. _____ (new) of (full address) _____

being a member of ALLIANZ MALAYSIA BERHAD, hereby appoint :-

Name of Proxy/Proxies	NRIC No./Passport No.	Proportion of Shareholding	
		No. of Shares	%
Address			
*and			
Address			
*or failing him/her			
Address			

as my/our proxy to attend and vote for me/us on my/our behalf at the 41st Annual General Meeting of the Company ("41st AGM") to be held at Ballroom A, Level 6, Hilton Kuala Lumpur, 3 Jalan Stesen Sentral, 50470 Kuala Lumpur on Tuesday, 9 June 2015 at 10.00 a.m. and at any adjournment thereof.

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	Receipt of Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon		
2	Approval for payment of Directors' fees		
3	Re-election of Mr. Foo San Kan as Director		
4	Re-election of Y.A.M. Tunku Zain Al-Abidin Ibni Tuanku Muhriz as Director		
5	Re-appointment of Y. Bhg. Tan Sri Razali Bin Ismail as Director		
6	Re-appointment of Y. Bhg. Dato' Dr. Thillainathan A/L Ramasamy as Director		
7	Re-appointment of Messrs KPMG as Auditors and authority to the Directors to fix the Auditors' remuneration		
8	Continuation in office of Mr. Foo San Kan as an Independent Non-Executive Director		
9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Allianz SE Group		
10	Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature with Shook Lin & Bok		

As witness my/our hand this _____ day of _____ 2015.

Signature of shareholder/common seal

Notes

1. For the purposes of determining a member who shall be entitled to attend and vote at the forthcoming 41st AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositories as at 29 May 2015. Only a depositor whose name appears in the Record of Depositors as at 29 May 2015 shall be entitled to attend and vote at the 41st AGM or appoint proxy/proxies to attend and vote on his/her behalf.
2. A member entitled to attend and vote at the 41st AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. If two (2) proxies are appointed, the instrument of proxy must specify the proportion of his/her shareholdings to be represented by each proxy.
3. A proxy may but need not be a member of the Company 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 but not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
5. Where a member is an exempt authorised nominee ("EAN") as defined under the Securities Industry (Central Depositories) Act 1991 which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the EAN may appoint in respect of each omnibus account it holds. The appointment of two (2) or more proxies in respect of any particular omnibus account shall be invalid unless the EAN specifies the proportion of its shareholding to be represented by each proxy.
6. The instrument 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 41st AGM.

Note to Holders of Irredeemable Convertible Preference Share ("ICPS")

The holders of the ICPS shall be entitled to attend the 41st AGM but have no right to vote at the said Annual General Meeting. The voting rights of the ICPS holders are detailed on page 138 of the Annual Report 2014.

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)

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