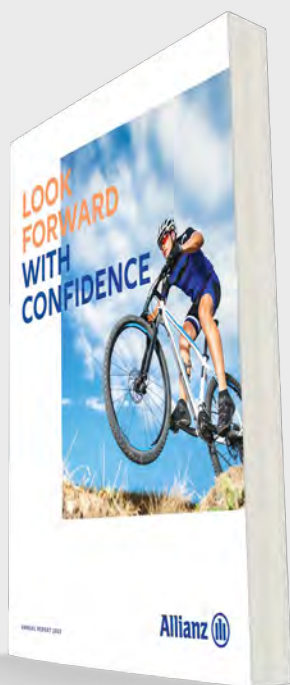


**LOOK
FORWARD
WITH
CONFIDENCE**





LOOK FORWARD WITH CONFIDENCE

The COVID-19 pandemic disrupted lives and impacted local and global markets in 2020. In such uncertain times, it is important that we live up to our brand promise to give our customers the confidence that better times are ahead and to assure them that Allianz will always be there to secure their future. Achieving this ambition means being purpose-led, customer focused and being commercially disciplined.

With our investment in customer experience, simplicity and agility, we are well positioned for the future. Our trusted brand, supply chain scale, deep data assets and financial strength are key attributes, providing competitive advantage.

Our Vision remains intact: To be the Most Reliable Partner, Always Delivering in Moments of Truth.

To realise this, we have reset our strategy to create a stronger, more resilient Allianz. We are focused, adapt our business model and rely on our strength to capitalise on trends that currently shape the operating environment. Doing this allows our stakeholders to look forward with confidence.

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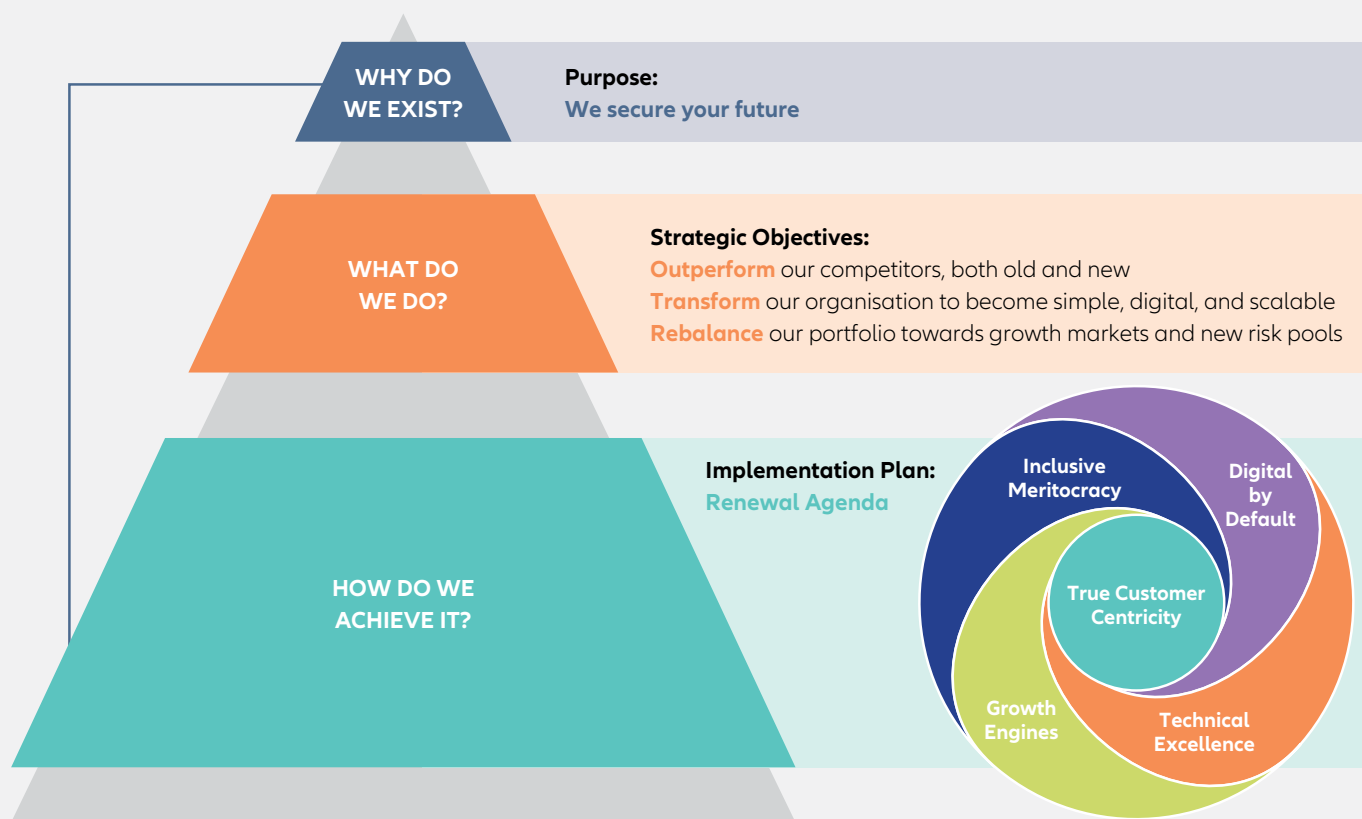
VISION

**To be the Most Reliable Partner,
Always Delivering in Moments of Truth**

MISSION

Insurance Solutions from A–Z

OUR STRATEGY



Our internal purpose is: We secure your future

Since 1890, all around the globe, we at Allianz have been working hard to secure people's lives and to give courage to our customers for what's ahead.

We are actuaries, advisors and service agents; engineers, lawyers and technology experts; we are daughters and sons, mothers and fathers, accountants, investors and entrepreneurs – and together we are shaping our industry.

Because we know how important it is to have a fair partner at your side who provides solid and sustainable solutions, we strive to do it right – with passion, every day.

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

2020 KEY FINANCIAL FIGURES

OPERATING REVENUE

2020
RM5,945.71
Million
+7.4%

GROSS WRITTEN PREMIUM

2020
RM5,305.17
Million
+7.8%

TOTAL ASSETS

2020
RM21,896.74
Million
+11.1%

PROFIT BEFORE TAX

2020
RM729.63
Million
+5.4%

SHAREHOLDERS' FUND

2020
RM4,031.51
Million
+9.7%

MARKET CAPITALISATION

2020
RM5,130.47
Million
-8.0%

BASIC EARNINGS PER ORDINARY SHARE

2020
227.53
Sen
+11.6%

DIVIDEND PER ORDINARY SHARE

2020
58.00
Sen
-10.8%

Allianz at a Glance

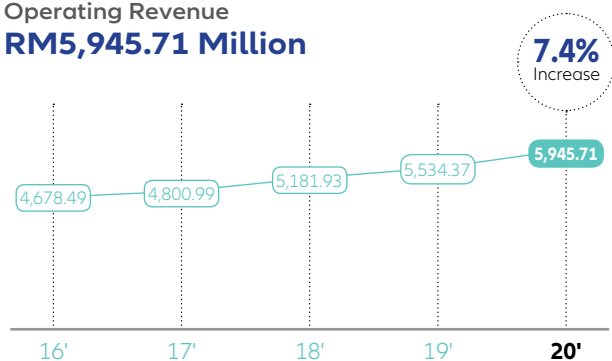
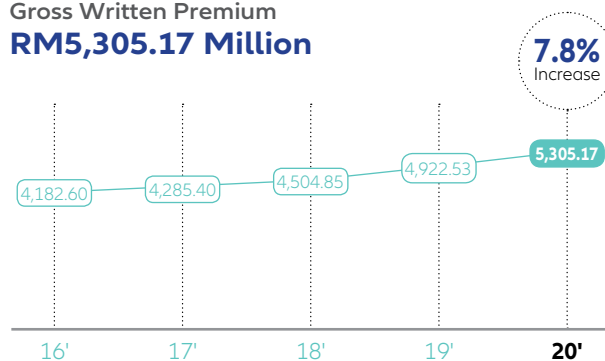
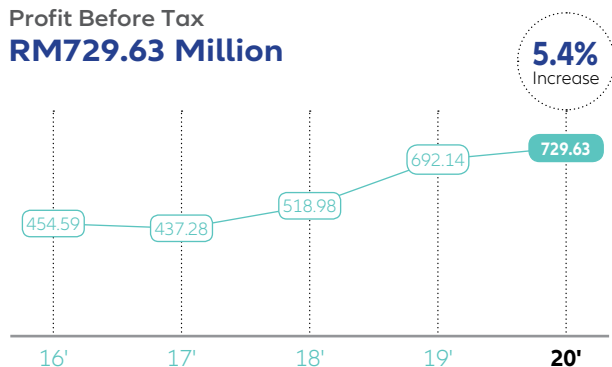
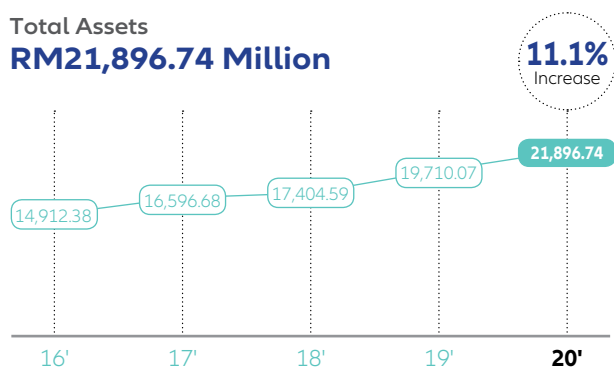
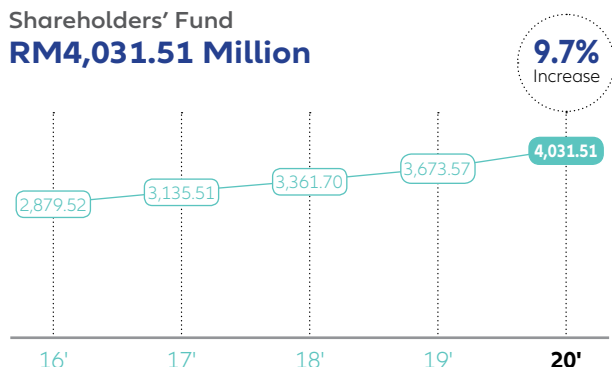
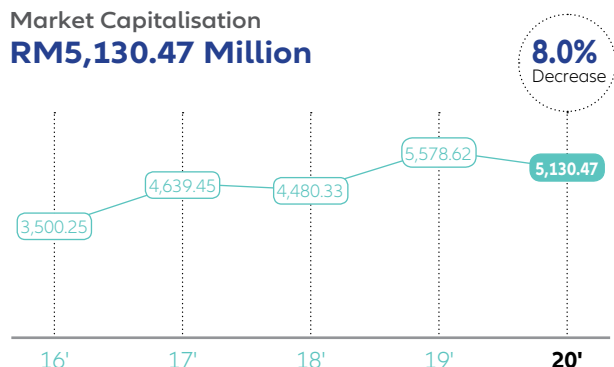
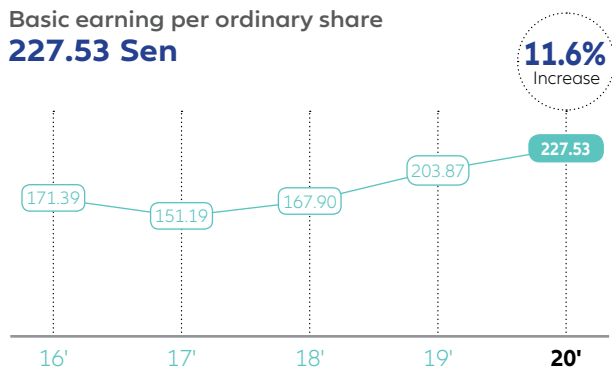
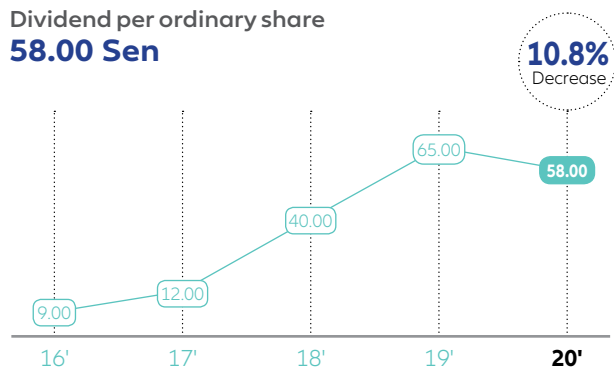
	2020	2019	2018	2017	2016
Operating Revenue (RM million)	5,945.71	5,534.37	5,181.93	4,800.99	4,678.49
Gross Written Premium (RM million)	5,305.17	4,922.53	4,504.85	4,285.40	4,182.60
Profit Before Tax (RM million)	729.63	692.14	518.98	437.28	454.59
Total Assets (RM million)	21,896.74	19,710.07	17,404.59	16,596.68	14,912.38
Shareholders' Fund (RM million)	4,031.51	3,673.57	3,361.70	3,135.51	2,879.52
Market Capitalisation (RM million) [#]	5,130.47	5,578.62	4,480.33	4,639.45	3,500.25
Interim Dividend per Share					
- Ordinary Share (sen)	58.00	65.00	40.00	12.00	9.00
- Preference Share (sen)	69.60	78.00	48.00	14.40	10.80
Total Amount of Dividend to the Shareholders					
- Ordinary Share (RM'000)	102,595.53	114,976.97	70,675.38	21,021.95	15,633.66
- Preference Share (RM'000)	117,844.59	132,068.15	81,368.33	24,627.29	18,629.83
Return on Equity [^]	13.5%	14.0%	11.6%	9.6%	11.3%
Operating Revenue Growth	7.4%	6.8%	7.9%	2.6%	3.5%
Gross Written Premium Growth	7.8%	9.3%	5.1%	2.5%	1.2%
Basic Earnings per Ordinary Share (sen)*	227.53	203.87	167.90	151.19	171.39
Diluted Earnings per Ordinary Share (sen)	150.29	142.29	109.09	83.28	90.80
Net Asset Value per Ordinary Share (RM)	22.79	20.77	19.03	17.96	16.58
Diluted Net Asset Value per Ordinary Share (RM)	11.64	10.61	9.71	9.06	8.32

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

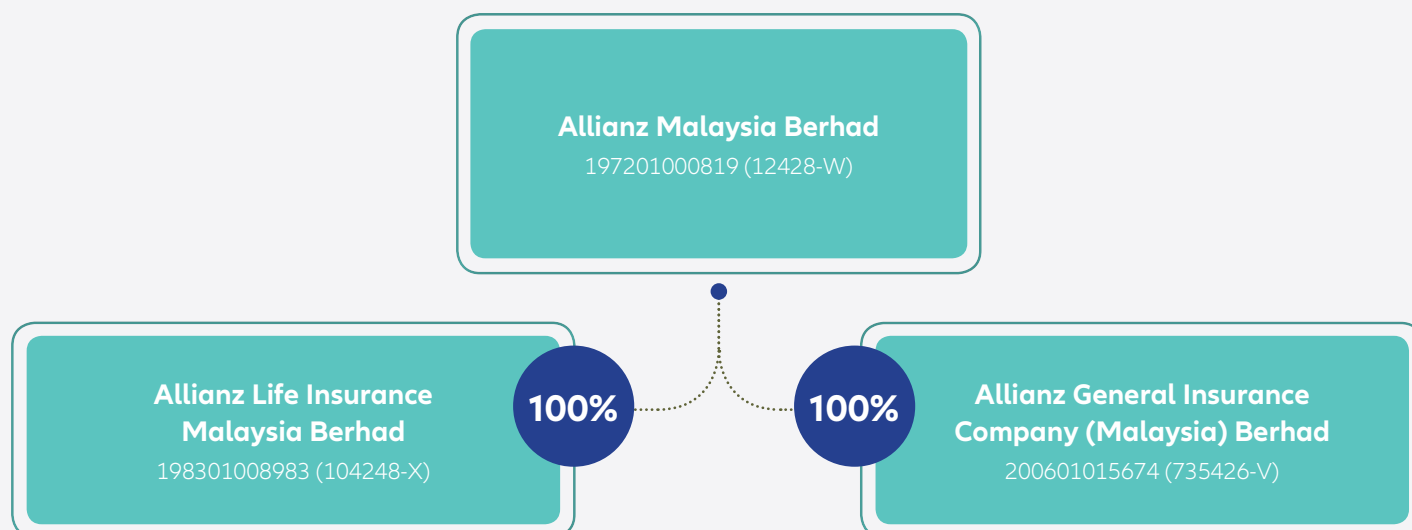
[^] The average of the opening (1 January) and closing (31 December) balances of Shareholders' Fund have been used in the computation of Return on Equity

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

Allianz at a Glance

Operating Revenue
RM5,945.71 MillionGross Written Premium
RM5,305.17 MillionProfit Before Tax
RM729.63 MillionTotal Assets
RM21,896.74 MillionShareholders' Fund
RM4,031.51 MillionMarket Capitalisation
RM5,130.47 MillionBasic earning per ordinary share
227.53 SenDividend per ordinary share
58.00 Sen

Group Structure



Corporate Information

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

CLASSES OF SHARE

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

COMPANY SECRETARY

Ng Siew Gek

Email : ng.siewgek@allianz.com.my

REGISTERED OFFICE

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

HEAD OFFICE

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

SHARE REGISTRAR

**Tricor Investor & Issuing House
Services Sdn Bhd**

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

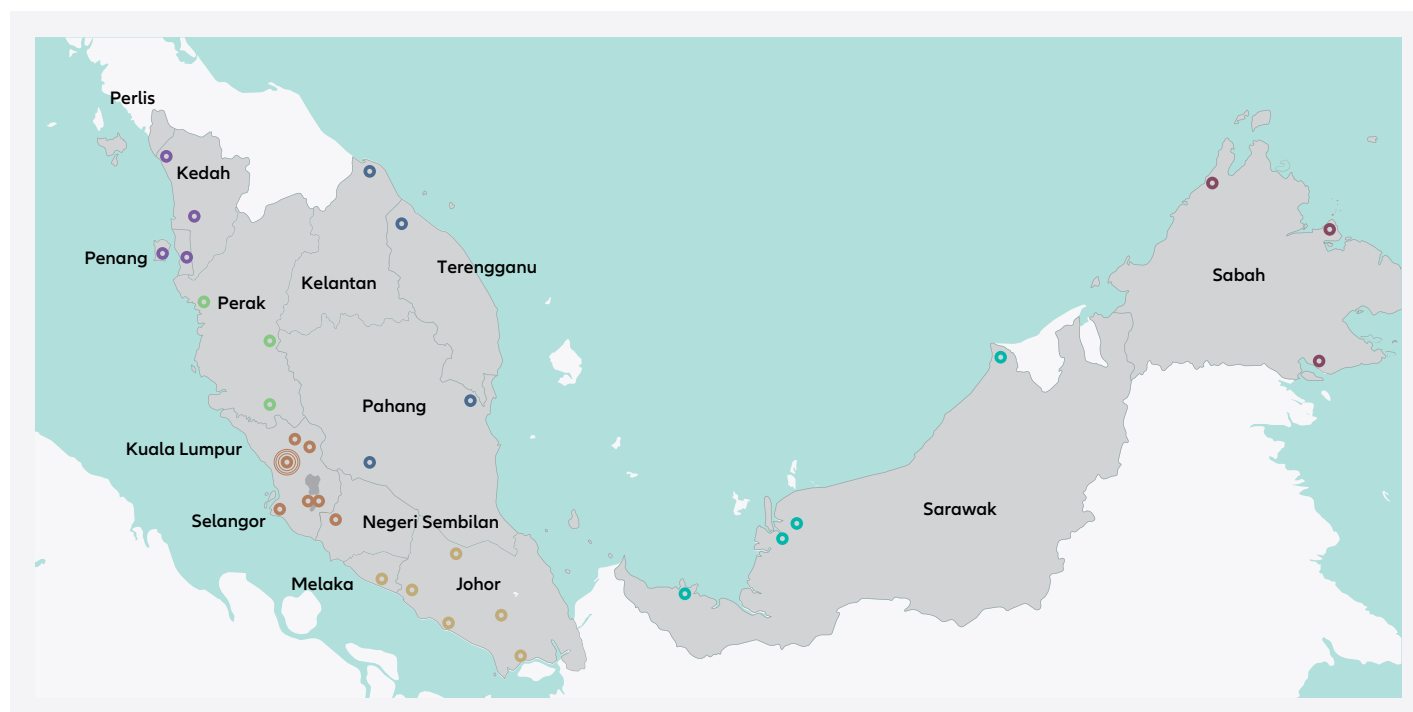
AUDITORS

PricewaterhouseCoopers PLT

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

Nationwide Presence

Allianz General Insurance Company (Malaysia) Berhad



CUSTOMER CONTACT/ SERVICE CENTRE

Ground Floor, Block 2A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan

ONE ALLIANZ CALL CENTRE

Level 10, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan

CENTRAL REGION

Central Region Processing Hub

Level 10, Block 3A Plaza Sentral
Jalan Stesen Sentral
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan

Sentral Branch

Level 13, Block 3A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan

Kuala Lumpur

Wisma Allianz, No. 33, Jalan Gereja
50100 Kuala Lumpur
Wilayah Persekutuan

Petaling Jaya

No. 15, Jalan 8/1D, Section 8
46050 Petaling Jaya
Selangor Darul Ehsan

Klang

No. 11, Jalan Tiara 2D/KU1
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan

Kajang

Unit No. C-67-1 & C-68-1
Jalan C180/1, Dataran C180
43200 Batu 11 Cheras
Selangor

Seremban

No. 44, Jalan S2 B18
Biz Avenue Seremban 2
70300 Seremban
Negeri Sembilan Darul Khusus

PERAK STATE

Ipoh

Unit No. A-G-1 & A-1-1
Ground & 1st Floor, Greentown Square
Jalan Dato' Seri Ahmad Said
30450 Ipoh
Perak Darul Ridzuan

Teluk Intan

Unit No. 25
1st Floor, Pusat Komersial Sentral Intan
36000 Teluk Intan
Perak Darul Ridzuan

Taiping

No. 62, Ground Floor, Jalan Barrack
34000 Taiping
Perak Darul Ridzuan

Nationwide Presence

Allianz General Insurance Company (Malaysia) Berhad

NORTHERN REGION

Northern Region Processing Hub

No. 6770, Ground & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Penang

Northern Region Claims Hub

No. 6770, Ground & 2nd Floor
Jalan Kg. Gajah
12200 Butterworth
Penang

Penang

Ground, Mezzanine and 1st Floor
No. 1 China Street
10200 Georgetown
Penang

Bukit Mertajam

No. 486, Ground, 1st & 3rd Floor
No. 487, Ground Floor
Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Penang

Alor Setar

No. 300 & 301, Jalan Lumpur
05100 Alor Setar
Kedah Darul Aman

Sungai Petani

No. 62B, 1st, 2nd & 3rd Floor
Jalan Pengkalan, Pekan Baru
08000 Sungai Petani
Kedah Darul Aman

SOUTHERN REGION

Southern Region Claims Hub

#04-05, Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim

Melaka

No. 374, Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka

Johor Bahru

#03-01, #03-03 & #03-05 Block C
#04-01 & #04-02, Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim

Kluang

No. 5, Jalan Persiaran Yayasan
86000 Kluang
Johor Darul Takzim

Segamat

Lot No. 27, Ground Floor
Jalan Genuang Perdana
Taman Genuang Perdana
85000 Segamat
Johor Darul Takzim

Batu Pahat

No. 1-2, 1-2A, Ground & 1st Floor
Jalan Maju 1, Taman Maju
83000 Batu Pahat
Johor Darul Takzim

Muar

No. 1, Ground Floor
Pusat Dagangan Bakri
Jalan Bakri
84000 Muar
Johor Darul Takzim

EAST COAST REGION

Temerloh

No. 6, Pusat Komersil Temerloh
Jalan Dato' Bahaman 3
28000 Temerloh
Pahang Darul Makmur

Kuantan

No. 4 & 4a, 6 & 6a (Construction Town)
Jalan Putra Square 6, Putra Square
25200 Kuantan
Pahang Darul Makmur

Kuala Terengganu

PT 3357 P, Jalan Sultan Zainal Abidin
20000 Kuala Terengganu
Terengganu Darul Iman

Kota Bharu

Lot 1184, Jalan Kebun Sultan
15350 Kota Bharu
Kelantan Darul Naim

EAST MALAYSIA

East Malaysia Processing Hub

Unit No. R-6-02 &
Part Of Unit No. R-6-05
Level 6, Riverson@Sembulan
Block B2, No. B2-6-05
Lorong Riverson@Sembulan
Off Jalan Coastal
88100 Kota Kinabalu
Sabah

SABAH REGION

Kota Kinabalu

B-1-73, B-1-73a, B-1-75 & B-1-76
Riverson@Sembulan, Block B
First Level, Riverson Walk
Unit No. R-6-01, R-06-02 & Part of Unit
No. R-6-05, Level 6, Riverson Suites
Lorong Riverson@Sembulan
Off Coastal Highway
88100 Kota Kinabalu
Sabah

Sandakan

2nd Floor, Menara Rickoh
Indah Commercial Complex
Bandar Indah Mile 4
North Road 90000 Sandakan
Sabah

Tawau

TB320, Ground, 1st & 2nd Floor
Block 38, Fajar Complex
Jalan St. Patrick, W.D.T. No. 33
91009 Tawau
Sabah

SARAWAK REGION

Sarawak Region Office

Lot 3544, 2nd Floor
Lot 3545, Ground, 1st & 2nd Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri
Sarawak

Miri

Lot 3544, 2nd Floor
Lot 3545, Ground, 1st & 2nd Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri
Sarawak

Sibu

Lot 1725
Jalan Kampung Datu
96000 Sibu
Sarawak

Kuching

Sublot 3, 1st & 2nd Floor, Block 10
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sarawak

Sarikei

No. 11, Ground and 1st Floor
Jalan Nenas
96100 Sarikei
Sarawak

Nationwide Presence

Allianz General Insurance Company (Malaysia) Berhad

CUSTOMER CONTACT/ SERVICE CENTRE

Ground Floor, Block 2A Plaza Sentral
Jalan Stesen Sentral 5
Kuala Lumpur Sentral
50470 Kuala Lumpur
Wilayah Persekutuan

CENTRAL REGION

Desa Jaya

Wisma Allianz Life
No. 11-14, Jalan 53
Desa Jaya Commercial Centre
Taman Desa
52100 Kepong
Selangor Darul Ehsan

Klang

No. 46, Jalan Tiara 2C
Bandar Baru Klang
41150 Klang
Selangor Darul Ehsan

Seremban

No. 44, Ground Floor
Jalan S2 B18, Biz Avenue, Seremban 2
70300 Seremban
Negeri Sembilan Darul Khusus

NORTHERN REGION

Penang

Ground & 1st Floor
No.1 China Street
10200 Georgetown
Penang

Bukit Mertajam

No. 487, Jalan Permatang Rawa
Bandar Perda
14000 Bukit Mertajam
Penang

Alor Setar

No. 301, Ground & 2nd Floor
Jalan Lumpur
05100 Alor Setar
Kedah Darul Aman

Sungai Petani

No. 62B, 1st Floor
Jalan Pengkalan, Pekan Baru
08000 Sungai Petani
Kedah Darul Aman

SOUTHERN REGION

Ipoh

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

Johor Bahru

#03-01 & #03-02, Block C
#04-01, #04-02 & #04-03 Block C
Komersil Southkey Mozek
Persiaran Southkey 1, Kota Southkey
80150 Johor Bahru
Johor Darul Takzim

Kluang

No. 5, Ground Floor
Jalan Persiaran Yayasan
86000 Kluang
Johor Darul Takzim

Batu Pahat

No. 1-2 & 1-2B, Ground & 2nd Floor
Jalan Maju 1, Taman Maju
83000 Batu Pahat
Johor Darul Takzim

Muar

No. 1, Ground, 1st & 2nd Floor
Pusat Dagangan Bakri
Jalan Bakri
84000 Muar
Johor Darul Takzim

Melaka

No. 374, Ground & 2nd Floor
Jalan Melaka Raya 6
Taman Melaka Raya
75000 Melaka

EAST COAST REGION

Temerloh

No. 6, Pusat Komersil Temerloh
Jalan Dato' Bahaman 3
28000 Temerloh
Pahang Darul Makmur

Kuantan

No. 4 & 4a, 6 & 6a (Construction Town)
Jalan Putra Square 6, Putra Square
25200 Kuantan
Pahang Darul Makmur

Kota Bharu

Lot 1184, Jalan Kebun Sultan
15350 Kota Bharu
Kelantan Darul Naim

SABAH REGION

Kota Kinabalu

B-1-73, B-1-73a, B-1-75 & B-1-76
Riverson@Sembulan, Block B
First Level, Riverson Walk
Unit No. R-6-01, R-06-02 & Part of Unit
No. R-6-05, Level 6, Riverson Suites
Lorong Riverson@Sembulan
Off Coastal Highway
88100 Kota Kinabalu
Sabah

Sandakan

2nd Floor, Menara Rickoh
Indah Commercial Complex
Bandar Indah Mile 4
North Road 90000 Sandakan
Sabah

Tawau

TB320, Ground, 1st & 2nd Floor
Block 38, Fajar Complex
Jalan St. Patrick, W.D.T. No. 33
91009 Tawau
Sabah

SARAWAK REGION

Kuching

Sublot 3, Ground Floor, Block 10
Jalan Laksamana Cheng Ho
Kuching Central Land District
93350 Kuching
Sarawak

Miri

Lot 3544, 1st Floor
Lot 3545, Ground Floor
Section 5, M.C.L.D Jalan Miri-Pujut
98000 Miri
Sarawak

Sibu

Lot 1726,
1st & 2nd Floor
Jalan Kampung Datu
96000 Sibu
Sarawak

BE CONFIDENT AND DO MORE

Confidence comes from within. It is believing that we are capable of doing much more. It allows us to overcome our fear of the unknown and start pursuing our goals and dreams. At Allianz, this is exactly what we aim to do for our customers, to give them the confidence they need to fulfil their potential in life. With the knowledge that Allianz will be with them at every step of the way.





Chairman's Statement

The COVID-19 pandemic triggered an unprecedented global health crisis in 2020 and set forth a new era of changes. Malaysia's momentum in economic recovery was impacted by the resurgence of COVID-19 cases and challenges brought about by movement restrictions put in place to control infections. Despite everything that we had to contend with, I am pleased to report that Allianz Malaysia Berhad ("Company") and its subsidiaries (collectively referred to as "Group") delivered resilient results for the financial year ended 31 December 2020 ("FY2020").

The Group continued to register top-line growth with an operating revenue of RM5.95 billion, growing at 7.4 percent from RM5.53 billion in 2019. The Group recorded RM5.31 billion in Gross Written Premiums for 2020, an increase of 7.8 percent from RM4.92 billion in 2019. This is primarily attributed to higher premiums from the motor business for the general insurance business and recurring premiums from the life insurance business.

Together with the solid top-line performance, the Group's profit before tax increased by 5.4 percent to RM729.6 million from RM692.1 million in 2019. Basic earnings per share stood at 227.53 sen as compared to 203.87 sen in the previous year. The Group's performance in 2020 is testimony to our continued commitment to our shareholders to focus on profitability, deliver sustainable share value, protect investors' capital, and provide good dividends.

Amidst the simultaneous social and economic disruptions, the Group is pleased to be in a position to continue delivering dividends this year, reflecting on our improved results against a very difficult market. The Board declared a single-tier

Profit Before Tax

RM729.6
Million

↑5.4%

Operating Revenue

RM5.95
Billion

↑7.4%

GWP

RM5.31
Billion

↑7.8%

Dear Shareholders,

I am proud to report that Allianz Malaysia Berhad delivered strong results for the financial year ended 31 December 2020 ("FY2020").

interim dividend of 58.00 sen per ordinary share (2019: interim and special dividend of 51.00 sen and 14.00 sen respectively) and a single-tier interim dividend of 69.60 sen per irredeemable convertible preference share (2019: interim and special dividend of 61.20 sen and 16.80 sen respectively) for FY2020.

MAINTAINING EMPLOYEE LOYALTY AND TRUST IN TIMES OF UNCERTAINTY

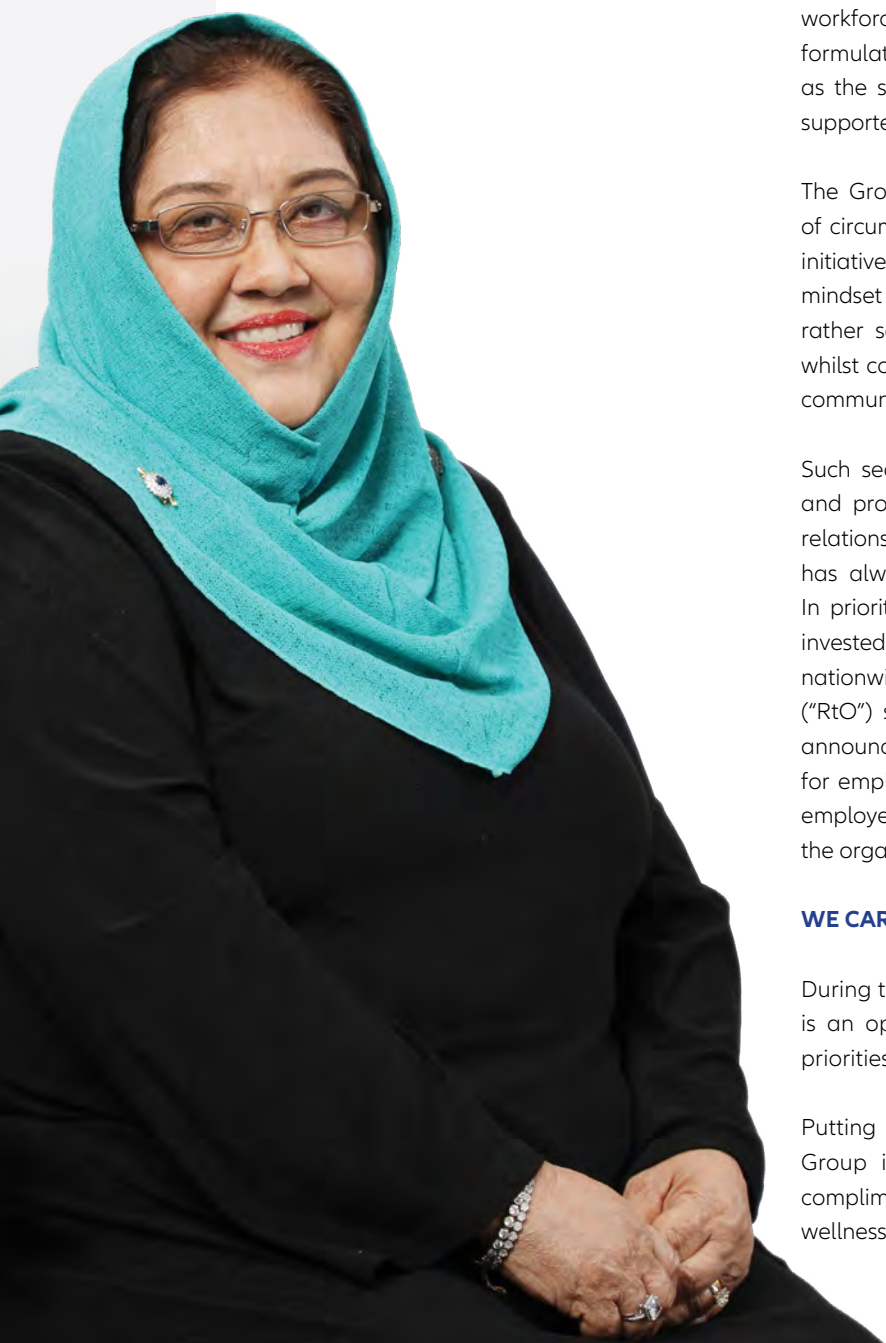
Despite the rapidly evolving and extraordinary scale of the pandemic, our people were our strength, one of our key success factors in preserving business continuity. The Group took on a multi-faceted approach to stay resilient whilst also supporting the needs of our customers, employees, and communities.

The management and our employees did a miraculous job, delivering on their fortitude, agility, and adaptability when it mattered the most. The resilience of a committed

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM
Chairman – Independent Non-Executive Director

Chairman's Statement

//
Amidst the simultaneous social and economic disruptions, the Group is pleased to be in a position to continue delivering dividends this year, reflecting on our improved results against a very difficult market.



//

workforce, coupled with the efforts of the senior management team in formulating strategies to mitigate the impact of the pandemic as well as the support and dedication showed by the middle management, supported the Group well through such turbulent times.

The Group remained fully operational despite the most challenging of circumstances, thanks to the swift adoption of its Work from Home initiative. In equal effort, the employees collectively took on an adaptive mindset in facilitating processes which enabled the Group to transition rather seamlessly to the uncharted territory of working from home whilst continuing to be of invaluable service to our customers and our communities.

Such seamless transition, coupled with the remarkable commitment and productivity of the employees can be ascribed to the two-way relationship shared between the Group and its employees. The Group has always advocated that its people are its most valuable asset. In prioritising the safety and wellbeing of the employees, the Group invested in acquiring the antibody rapid test kits ("RTK") for employees nationwide in the second half of 2020 as part of its Return to Office ("RtO") strategy following the Conditional Movement Control Order announced on 1 May 2020, and subsequently acquiring antigen RTK for employees who RtO starting 2021. The extra care shown towards employees served as a positive reinforcement of the value they bring to the organisation.

WE CARE AND WE BUILD RESILIENT COMMUNITIES

During times like these, every interaction with customers and partners is an opportunity to demonstrate what the organisation places its priorities on.

Putting customers and the community's interests first, the Group initiated the Allianz We Care Community which provides complimentary COVID-19 relief and healthcare benefits that include wellness and lifestyle rewards and more for customers and the public.

Chairman's Statement

The Group also contributed to the fight against COVID-19 through its charitable initiatives. Recognising that we as a society need to take care of the most vulnerable amongst us, the Group focused its contributions on two groups, frontliners and the underserved communities. The Group donated medical and hospital equipment, food, and hygiene items to 32 medical facilities and 25 non-profit organisations. These include ventilators, vital sign monitors, fingertip pulse oximeter units, COVID-19 test kits, over 530,000 units of Personal Protective Equipment ("PPE"), dry rations and monetary contributions to partner organisations in support of their relief efforts. Additional relief was extended to flood-affected communities towards the end of the year.

The Group also continued its support for education and empowerment. This year we renewed our sponsorship for Science of Life 24/7's Academy of Innovation programme for the third consecutive year, while four social organisations that participated in our first Capacity-building Programme concluded their mentorship. As insurers, this is an extension of our responsibility. To support the development of a resilient community through our business and our contributions. We will continue to allocate a healthy budget toward projects championing sustainability and society.

ASSURANCE OF ACCESSIBILITY AND AVAILABILITY

In this current climate, where businesses are concerned with customer optimism, it is pertinent to ensure our continued commitment to segments of society that need a little more assistance. Insurance penetration among the B40 segment remains severely lacking and there is no single solution to this issue. Change

hinges very much on the full alignment of having the financial means, awareness, understanding and access to insurance, and the knowledge to make informed decisions.

The Group is creative in its aim to reach out to the B40. During such times of uncertainties and hardship, it is imperative that the Group is able to provide the assurance of available and accessible protection. And our partnership with Pos Malaysia certainly ticked that box.

Through Pos Malaysia, we offered the B40 segment seamless purchasing and fuss-free renewal of affordable products. This includes Pos Rumahku which provides comprehensive protection for *kampung* or wooden houses and its household contents against fire, flood, and windstorm risks for a premium of only RM75 annually as well as PosLife Care which offers coverage against death and total and permanent disability ("TPD") benefits, with additional benefits for accidental death or TPD, as well as death due to dengue and COVID-19 infection.

STEADFAST LEADERSHIP AND VISION

COVID-19 was a litmus test of preparedness and resilience for many organisations across industries globally. Despite the challenges at hand, the Group's ability to successfully weather the storm can be largely credited to the steadfast leadership of the Group's Chief Executive Officers, Zakri Khir and Joseph Gross, which was very important to the business. There is no doubt that we will be looking to them once again, for their strength and vigour, to lead us through the new challenges that lie ahead in 2021.



THE NATION'S HANDLING OF THE COVID-19 PANDEMIC

While the government has performed rather well in its overall management of the pandemic, we can always do better. I believe the implementation of the various phases of the Movement Control Order has taken its toll on the Malaysian economy and the people, but it was a necessary move. Nevertheless, the hope is that these measures will bring about a controlled number of infections as the country rolls out its National COVID-19 Immunisation Plan. While the inoculation drive is expected to see at least 80 percent of the population of 32 million people vaccinated within a year, it may take well up to five years before we see the country return to its pre-COVID days.

Most importantly, credit must be given to our healthcare system's capacity for health emergencies and disaster preparedness, as well as the tireless services of our doctors, nurses, and frontliners during these times, which is a reflection of the high-quality care that exists in the medical sector.

Chairman's Statement



THE LONG ROAD AHEAD

What we have experienced in the past year with COVID-19 is merely the tip of the iceberg. The effects of the pandemic are evident and its profound consequences will be felt well beyond 2020. In 2021, we will need to come to terms with the repercussions of the pandemic on the insurance industry and the business. We anticipate a tough market for all involved.

For the Group, one of the most salient risks to the business at this time are the challenges we will face from people losing jobs. The Department of Statistics Malaysia revealed the unemployment rate to be at 4.8 percent in November 2020, with 764,400 out of jobs and actively seeking employment. While the softer labour demand is expected to continue in 2021, Malaysians are likely to face continued job losses and income reduction. The industry is expected to see a rise in mortgage claims, defaults in payments, and loss of certain employee benefits, leaving more Malaysians under-protected as a result of this.

In spite of the unforeseen challenges ahead, the Group must continue to remain resilient. It will be up to the creativity of our leadership and employees to respond to the uncertainties through smart, innovative, and timely pivots that explore new opportunities and marketplaces to stay relevant.

ACKNOWLEDGEMENTS

Once again, on behalf of the Board, I thank the Group's Chief Executive Officers, senior management, and employees for their effort and dedication to their work throughout these past 12 months.

The Board also conveys its sincere thanks and gratitude to Dato' Dr. Thillainathan A/L Ramasamy who retired at the last Annual General Meeting, for his immeasurable contributions towards the success of the Company. At the same time, we welcome Goh Ching Yin and Gerard Lim Kim Meng as the Company's new Directors.

The Board would also like to extend our appreciation to our shareholders, customers, agents, brokers, bank distribution partners, and other business partners for their unwavering support. Lastly, our gratitude as always to Bank Negara Malaysia, Bursa Malaysia Securities Berhad, and all other regulatory bodies and authorities for their guidance and advice.

Thank you.

TAN SRI DATUK (DR.) RAFIAH BINTI SALIM
Chairman

6 May 2021

CEO's Message and Management Discussion & Analysis

The COVID-19 pandemic hit our shores in March 2020 and unleashed a host of economic and social challenges that tested every aspect of the organisation.

As a result of its strong foundation, the Group was, to a very high degree, able to withstand these disruptions and deliver robust financial results. While we remained resilient, the numbers do not reflect the degree of difficulty, amount of challenges, and the immeasurable human endeavour it took to navigate the restrictions of the Movement Control Order ("MCO") and keep the business intact. It masks the efforts that went into ensuring the safety of our employees and preserving productivity levels, as we did our level best to minimise disruptions to our business operations and stay true to our customers.

During the year in review, the general insurance sector generally remained weak with a decline in Gross Written Premium ("GWP") by 0.6 percent in 2020. The life insurance industry also saw a 0.4 percent decline in Annualised New Premiums ("ANP"). The performance of the life insurance industry reflects the tumultuous period and the challenges faced in dealing with the repercussions of COVID-19.

As Malaysia continues to come to terms with the effects of the pandemic, uncertainties prevail and the economy is anticipated to grow at a slower pace in 2021. While the rollout of the vaccine from February 2021 is expected to facilitate the eventual resumption of economic activity and lift consumer sentiments, ongoing political developments will hamper investment decisions. A weak labour market and the potential challenges that could arise from the immunisation exercise and a resurgence in cases are likely to have some impact on the country's recovery plans.

Dear Shareholders,

I am happy to share that Allianz Malaysia Berhad and its subsidiaries (collectively referred to as "Group") delivered outstanding results for the financial year ended 31 December 2020 ("FY2020") despite the onslaught of COVID-19.

Return on
Equity
13.5%

Profit Before Tax
RM729.6
Million



ZAKRI BIN MOHD KHIR

Chief Executive Officer of Allianz Malaysia Berhad

CEO's Message and Management Discussion & Analysis

While we remained resilient, the numbers do not reflect the degree of difficulty, amount of challenges, and the immeasurable human endeavour it took to navigate the restrictions of the Movement Control Order ("MCO") and keep the business intact.

FINANCIAL RESULTS

The Group recorded an operating revenue of RM5.95 billion in FY2020 from RM5.53 billion in the financial year ended 31 December 2019 ("FY2019"). This followed an increase in gross earned premiums of RM384.8 million and an increase in investment income of RM26.5 million. Our GWP rose 7.8 percent from RM4.92 billion in FY2019. The Group achieved a consolidated profit before tax of RM729.6 million, a growth of 5.4 percent from RM692.1 million in the previous year, backed by higher underwriting profit from the general business segment. Our financial performance for the year allowed us to achieve earnings per share of 227.53 sen and deliver a return on equity of 13.5 percent, demonstrating the continued value we provide to our shareholders.

CONSOLIDATED GROUP RESULTS

Key Figures: Group

	2020	2019	Delta
Operating Revenue (RM' million)	5,945.71	5,534.37	411.34
Profit Before Tax (RM' million)	729.63	692.14	37.49
Return on Equity (%)	13.5%	14.0%	(0.5)%
Basic Earnings per Ordinary Share (sen)	227.53	203.87	23.66
Diluted Earnings per Ordinary Share (sen)	150.29	142.29	8.00

The Group's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") achieved a GWP of RM2.36 billion as compared to RM2.20 billion in FY2019. It achieved a profit before tax of RM432.1 million, an increase of 19.2 percent from RM362.4 million in the previous year. Allianz General remains the market leader in the general insurance segment with a market share of 13.3 percent.

Our life insurance subsidiary, Allianz Life Insurance Malaysia Berhad ("Allianz Life"), continued to grow during the year in review, recording an 8.2 percent increase in GWP to RM2.95 billion from RM2.73 billion in FY2019. Allianz Life continued to maintain its fifth position in the life insurance segment with a market share of 7.7 percent.

BALANCE SHEET REVIEW

The Group's balance sheet and solvency positions for both insurance subsidiaries continued to stay strong in 2020. Total assets increased by 11.1 percent to RM21.90 billion as compared to RM19.71 billion in 2019, as a result of growth in our investment portfolio.

Our investment portfolio grew by 16.4 percent to RM18.73 billion as at 31 December 2020. The investment mix remained relatively stable during the year, comprising government and government-related bonds, unquoted bonds of corporations, quoted equities securities and unit trust, loans, and deposits with banks.

CEO's Message and Management Discussion & Analysis

Insurance and more specifically life insurance is a business with long-term commitments. This is reflected in our investment strategy, with government and government-related bonds representing 49.6 percent of our investment portfolio, which grew 21.5 percent to RM9.29 billion. This was followed by unquoted bonds of corporations which contributes 27.2 percent of the investment portfolio.

ASSET ALLOCATION REVIEW

Type of investment	2020 (RM'million)	2019 (RM'million)	Delta (RM'million)	2020 %	2019 %	Delta pts
Debt instruments; thereof:						
Government and government-related bonds	9,290.54	7,649.57	1,640.97	49.6	47.6	2.0
Unquoted bonds of corporations	5,089.48	4,701.75	387.73	27.2	29.2	(2.0)
Quoted equities securities and unit trust	2,552.20	1,982.93	569.27	13.6	12.3	1.3
Loans	84.72	278.37	(193.65)	0.5	1.8	(1.3)
Cash	882.68	729.55	153.13	4.7	4.5	0.2
Others	829.98	743.18	86.80	4.4	4.6	(0.2)
Total	18,729.60	16,085.35	2,644.25	100.0	100.0	-

GENERAL INSURANCE

Key Figures

	2020	2019	Delta
GWP (RM' million)	2,356.05	2,197.50	158.55
Profit Before Tax (RM' million)	432.09	362.42	69.67
Claims ratio (%)	55.5	59.1	3.6 pts
Expense ratio (%)	32.9	31.9	(1.0 pts)
Combined ratio (%)	88.4	91.0	2.6 pts

Agency remained a key channel for the general insurance business, contributing 55.6 percent, or RM1.31 billion, of the total GWP. Meanwhile, the Franchise channel grew to become more instrumental in Allianz General's growth, recording 23.4 percent growth over the previous year to contribute 28.7 percent, or RM676.5 million, to GWP. Motor insurance is a significant segment of the general insurance industry and Allianz General is one of the top motor insurers in the country. The Motor portfolio made up 66.4 percent, or RM1.56 billion of GWP, while the remaining RM791.4 million from Non-Motor is made up of Property, Health, Personal Accident, Liability, Marine, and others. For the year in review, Allianz General delivered a positive underwriting profit of RM235.6 million, an increase of 41.3 percent from RM166.6 million in 2019. The combined ratio remained healthy at 88.4 percent as compared to 91.0 percent in 2019. This was a result of an improved claims ratio of 55.5 percent in 2020, against 59.1 percent in 2019, driven by savings in motor claims from less traffic during various phases of the MCO. Correspondingly, profit before tax increased by 19.2 percent to RM432.1 million from RM362.4 million the year before.

LIFE INSURANCE

Key Figures

	2020	2019	Delta
ANP (RM' million)	531.80	594.80	(63.00)
GWP (RM' million)	2,949.12	2,725.03	224.09
Profit Before Tax (RM' million)	308.72	340.70	(31.98)
New Business Value (RM' million)	239.00	258.80	(19.80)

In 2020, Allianz Life delivered resilient results and maintained its fifth position in the conventional life market with a market share of 7.7 percent in terms of ANP. Overall ANP declined by 10.6 percent to RM531.8 million from RM594.8 million the year before. This was primarily due to the pandemic and the various phases of MCO that were imposed by the government to contain the spread of COVID-19 which effectively limited face-to-face selling opportunities. Agency channel contributed the largest share of the ANP with 74.6 percent, amounting to RM396.6 million. This was a 12.6 percent decrease from RM454.0 million the year before. Allianz Life continued to focus on enhancing agent professionalism, creating end-to-end sales process digitisation, and increasing agent productivity in spite of the challenges faced. Investment-linked products made up 61.5 percent of the total agency new business production.

CEO's Message and Management Discussion & Analysis

DIVIDEND

The Board declared a single-tier interim dividend of 58.00 sen per ordinary share (2019: interim and special dividend of 51.00 sen and 14.00 sen respectively) and a single-tier interim dividend of 69.60 sen per irredeemable convertible preference share (2019: interim and special dividend of 61.20 sen and 16.80 sen respectively) for FY2020.



OUR COVID-19 RESPONSE

The fundamental truth is, what the Group was able to achieve last year, in terms of our resilient response toward the challenges of COVID-19 is a testament to the capabilities and quality of our people, a team of ordinary people that came together to perform extraordinary feats.

In dealing with the ripple effects of the pandemic and the imposed lockdowns, the Group had to adapt and pivot fairly quickly towards new operational strategies in response to the rapidly changing business environment.

Before the announcement of the MCO, the Crisis Management team began its preparations to activate the Group's Business Continuity Planning ("BCP"), which included the upgrading of the IT infrastructure to facilitate the work-from-home initiative such as increasing internet bandwidth and Small Office Home Office ("SOHO") network capacity as well as the setting up of alternate BCP office sites. In addition to that, the Information Technology Department acquired SOHO licenses for heads of departments, persons in charge, agents as well as employees. Additional new laptops were immediately secured to cater for this.

Embracing the COVID-19 crisis as part of our Occupational Safety and Health Administration practice, the Group's paramount concern was the safety and wellbeing of our employees. Putting the health and safety of our employees first, the Group hired Dr. Hardeep Singh Kaulsay as the Group's Medical Advisor and Health Officer in May last year.

Dr. Hardeep's medical and technical expertise was consequential in the design and development of the Group's health risk management plan and the implementation of our new health and safety rules for employees. An immediate measure taken was the Return-to-Office strategy and antibody

rapid testing ("RTK") of employees in 2020 and antigen RTK beginning 2021, which served as a prevalence surveillance method to assure employees were able to return to work in the safest possible working environment.

Industry-wide, the general insurance, life insurance, and takaful businesses pledged RM8 million to a COVID-19 Test Fund, a joint-initiative by Life Insurance Association of Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM"), and the Malaysian Takaful Association to support the Ministry of Health's efforts to conduct more COVID-19 testing for the benefit of medical insurance policyholders and takaful certificate holders.

Additionally, Allianz General partnered with Speedhome to offer a complimentary, one-month home rental assistance for medical frontliners who had to relocate to the Klang Valley at the beginning of the pandemic to serve at designated COVID-19 centres. Allianz General also provided COVID-19 insurance coverage for more than 30,000 Foodpanda riders and 20,000 Pos Malaysia frontliners. Disinfection services were also offered to agency offices through our collaboration with Recommend.my. Meanwhile, Allianz Life's agency force also contributed RM252,000 which was then used to purchase personal protective equipment and was distributed across five hospitals.

The Group also carried out initiatives spearheaded by its corporate responsibility arm, Allianz4Good, extending aid and support to partner non-governmental organisations, public medical facilities, and underserved communities. As insurers, it was important that we continued to equalise opportunities for the most vulnerable to create a more resilient community. The full extent of our COVID-19-related initiatives are detailed in the Sustainability Statement of this Annual Report.

CEO's Message and Management Discussion & Analysis

SERVING CUSTOMERS AND THE COMMUNITY IN TIMES OF UNCERTAINTY

The one-size-fits-all approach never resonates with insurance. There is no "silver bullet" insurance product out there in the market that ticks every box and addresses every concern.

While the fundamental needs of the customer do not change, the dynamics of how insurers trigger the need for insurance at every milestone of life are different. To address the needs of the everyday consumer, we continuously delivered a variety of products to meet varying customer demands. Despite disruptions to our distribution channels brought about by the pandemic, our general and life insurance business continued to deliver products that were aimed at meeting the needs and concerns of consumers in such times.

With the COVID-19 crisis, customer trust and confidence were also put to the test. So in continuing to remain relevant to customers, it was imperative that our products continued to be relatable to our customers and for the brand to stay visible.

For the general insurance business, the focus was on delivering a stream of products that addressed the immediate concerns of customers and businesses by offering the right protection for everyday risks. Allianz General launched an enhanced version of its Smart Home Cover policy, Smart Retail Shield, and Allianz Lifestyle Protect last year. For the life insurance business, products were developed to meet the protection needs of consumers, especially during a time when there was a heightened sense of a need for protection. There was a need to address the challenges faced by the distributors in not being able to meet customers face to face and concerns from customers about having to go to hospitals or clinics for further underwriting medical check-ups. Products launched were affordable, easy to understand, and market without the need for medical check-ups.

Allianz General	
Allianz Lifestyle Protect An all-in-one personal protection plan for everyday risks	Smart Home Cover Enhanced coverage that includes quick home repair or service, pest control, and home disinfection service (if a member of the household is diagnosed with COVID-19)
Smart Retail Shield Flexible, customisable insurance for SMEs with Inconvenience Relief Benefit	

Allianz Life	
Allianz 1Cover Providing financial security to young families at affordable premiums	AllianzBoleh Cover Protection without medical underwriting, also for individuals with medical conditions
Pos LifeCare Coverage against death and total and permanent disability benefits, with additional benefits for accidental death or TPD, as well as death due to dengue and COVID-19 infection	MoneyBack A short-term commitment product with death and twice the Accidental Death benefit or maturity benefit payout

The Group also initiated the Allianz We Care Community in June 2020, a platform that provides the community (customers and non-customers) with free COVID-19 and healthcare benefits. This includes hospitalisation and death benefit due to COVID-19, as well as wellness and lifestyle benefits, with 350,000 as at 31 December 2020. The community continues to grow in 2021 and garnered approximately 700,000 members at the end of March 2021.

Furthermore, amid the rising unemployment rate in the country, Allianz Life launched its Allianz Career of Excellence and Opportunity Programme, a comprehensive 24-month training programme aimed at developing high-quality insurance agents as well as the Friends of Allianz referral programme ("FOA") which allows FOA members to earn an uncapped income based on referral fees that are 100 percent risk-free.

MOVING THE DIAL ON ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Every crisis brings challenges and opportunities for transformation. The pandemic shone a spotlight on the importance of managing emerging risks and non-financial matters, drawing parallels with climate change in its global reach and impact. It is crucial that we are proactive in dealing with environmental, social and governance ("ESG") topics, thus we are embarking on the next steps in our sustainability journey. The Group has established a Local ESG Board consisting of top management to ensure that decisions are made at the highest levels of the organisation and that ESG considerations are embedded into our strategy, operations, and core business. We will leverage on our roles as an insurer, an employer, and a responsible corporate citizen to address the topics of climate change and social inclusion as key levers to building a sustainable future.

CEO's Message and Management Discussion & Analysis

UNDETERRED IN THE PURSUIT OF GOVERNANCE

An improved form of governance that is better adapted to the times is also needed. Last year, to provide equal opportunity to repairers along with the prospect of uplifting the standards of service and the customer journey of Allianz Motor Comprehensive policyholders, Allianz General became the first insurer to hold an open tender inviting car workshops under the PIAM Approved Repairers Scheme to join its panel of Allianz Authorised Repairers. While this move allowed for greater transparency concerning the selection process, there was no surprise that it was met with resistance from repairers nationwide.

Nevertheless, the Group remains undeterred in its pursuit of good governance that is encouraged by principles of transparency, integrity, and accountability.

OUTLOOK ON THE INDUSTRY

While the 'vaccine-virus race' takes precedence, the full impact on the industry has not yet manifested and COVID-19 will continue to be a conundrum facing the industry. The outlook for the general and life insurance industry is expected to remain challenging as long as the insecurities fueled by the pandemic looms over the economy.

Signs of major fundamental changes are evident including changing consumer behaviour. Consumption is crucial towards economic recovery, however, there are already indications that Malaysians are not spending enough, and the potential for consumption must be tempered by income.

In the current environment, those without financial capabilities to purchase insurance will forgo protection, and those with extra to spare would probably spend it elsewhere. This, coupled with pandemic-related threats such as disruptions in the supply chain, low consumer confidence, high unemployment rates, and threats of job loss as well as low-income levels and uncertainty will hinder consumption of insurance in the future.

COMMERCIAL INSURERS ROLE IN THE FIGHT AGAINST COVID-19

Adjacent to that, while discussions are still ongoing, principally the insurance industry and the Group is supportive of easing some of the financial burden faced by COVID-19 patients who are required to be treated in private hospitals. Allianz Life made allocations that allowed policyholders affected by COVID-19 able to apply for a premium deferment programme. In addition to that, policyholders were provided with complimentary coverage under the Special COVID-19 Benefits Programme.

The fact remains that there is also a need for a greater understanding of a pandemic as a risk that belongs to the sovereign nation and not commercial insurers. This is a fundamental point on which the Group will not acquiesce, as many facets of the management of such risks are in the control of the government.

OVERCOMING CHALLENGES AND THE WAY FORWARD

The Malaysian economy is expected to make a K-shaped recovery which outlines a divergent economic future, one where the economy rebounds unevenly, exposing the hard truths of income and wealth inequality. Given such fluidity in circumstances, the Group will continue to operate on a month-to-month or quarter-to-quarter basis whilst applying strong, coherent strategies.

While both the life and general business faced varying challenges, the ramifications were amplified for the life business, and there is a sense of urgency to regain the ground lost during the lockdown. The life insurance penetration rate remains at 54 percent, and there needs to be a paradigm shift of the products and services Allianz Life can offer to its customers and the community at large to shift the needle. This includes adapting to an alternative, more agile operating model, and leveraging on new value pools such as Pos Malaysia.

The general business will continue to prioritise growth, especially in our Non-Motor business while the strategy moving forward will include innovation, adjusting to economic disruptions, and adopting more digital practices. This is to ensure the Group continues to offer simple, affordable products that fit the needs of customers in this current environment.

ACKNOWLEDGEMENTS

On behalf of the management, I offer my sincere thanks and gratitude to our Board of Directors for their stewardship and support in ensuring the Group continues to deliver value to all our stakeholders.

A word of gratitude also goes to Bank Negara Malaysia, Bursa Malaysia Securities Berhad, and all regulatory bodies and authorities for their guidance. I would also like to express my appreciation to our shareholders, customers, agents, brokers, bancassurance partners, and business partners for their continued support.

The Group owes a debt of gratitude to our employees, for their unwavering resolve to rise above adversity and solidarity in facing up to challenges together. We are stronger together.

Thank you.

ZAKRI BIN MOHD KHIR
Chief Executive Officer

6 May 2021

SECURING OUR FUTURE

At Allianz, we work hard to secure people's lives and to give courage to our customers for what lies ahead. We are sons and daughters, mothers and fathers, so we understand the importance of having a reliable partner by our side that shares our concerns for a fair and sustainable future. We care for tomorrow - and that drives us to do the right thing - with passion, every day.





Sustainability Statement

SCOPE

This Statement encompasses the management and performance of Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiary companies, Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") and Allianz Life Insurance Malaysia Berhad ("Allianz Life") in 2020.

Data presented is from AMB and its subsidiaries - Allianz General, and Allianz Life, which are collectively referred to as "Allianz Malaysia" or "Group", unless stated otherwise in the course of reporting.

Allianz SE is the holding company of Allianz Malaysia. Allianz SE and its subsidiaries are referred to as "Allianz".

REPORTING PERIOD

This Statement covers the period from 1 January 2020 to 31 December 2020, unless stated otherwise

REPORTING PRINCIPLES AND FRAMEWORK

Allianz Malaysia's Sustainability Statement takes guidance from the following documents:

- Bursa Malaysia Securities Berhad ("Bursa Malaysia")'s Sustainability Reporting Guide
- Global Reporting Initiative's ("GRI") Sustainability Reporting Standards
- International Integrated Reporting Council's International Integrated Reporting Framework (<IR> Framework)
- Allianz SE's Sustainability Report.

Sustainability Highlights

ENVIRONMENTAL MANAGEMENT


100%

of operations powered by renewable energy


2

new electric vehicles as part of company fleet


75%

reduction in carbon emissions

SUSTAINABLE SOLUTIONS



Over

RM134 million

in Gross Written Premium contributed by Sustainable Solutions



Sold over

890,000

Sustainable Solutions policies from 7 different products

GOVERNANCE


Local ESG Board

established to improve governance of ESG topics



Recognised as

ASEAN Asset Class PLC

in 2019 ASEAN Corporate Governance Scorecard Award


Ranked fifth

in MSWG's Corporate Governance Awards for Financial Services industry

COMMUNITY CONTRIBUTION


RM3.16 million

contributed for COVID-19 emergency relief



Reached out to

80 organisations through community giving and relief initiatives


We Care Community initiative

launched to support and reassure Malaysians

PEOPLE


60.6%

women in management positions


Second Runner-Up

in Malaysia's 100 Leading Graduate Employers Awards (Insurance Category)


8.8%

attrition rate, down from 10.6% in 2019

CUSTOMER INNOVATION


41%

of Allianz Life policies issued within 5 minutes


Mobile windscreen repairs

launched in 2020


64%

increase in sign-ups on MyAllianz customer portal

Sustainability Governance

Allianz Malaysia's sustainability governance structure has been revised to reflect the increasing importance of Environmental, Social, and Governance ("ESG") matters to its strategy and operations.

A Local ESG Board comprising top management (CEOs, CFO, COO) is responsible for decision-making related to ESG matters and driving these topics across the organisation, supported by the newly established Sustainability department. Previously, the sustainability function was a subset of the Allianz4Good department in charge of corporate responsibility. The Local ESG Board reports to and discusses

sustainability topics with the Board of Directors ("Board"), as indicated in **Diagram 1**.

The Local ESG Board is chaired by the Chief Executive Officer of AMB, and decisions made at the Local ESG Board are cascaded to senior management for execution. This sustainability governance structure ensures that sustainability matters are discussed at the highest level, with topics integrated into and actions carried out across the organisation.

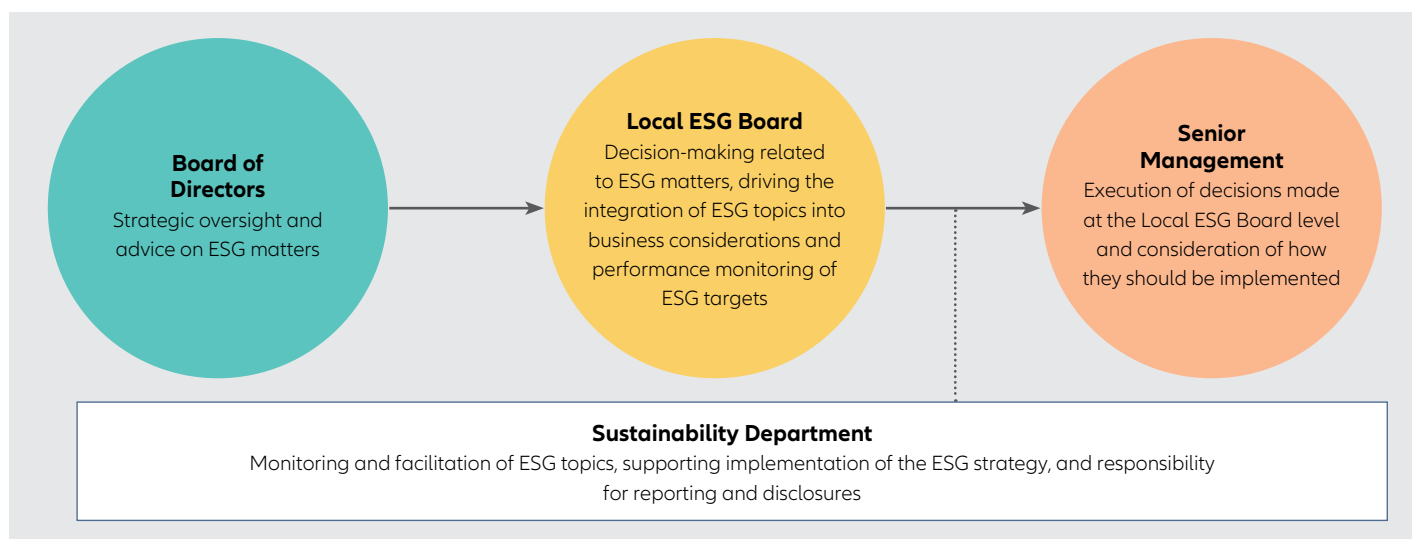
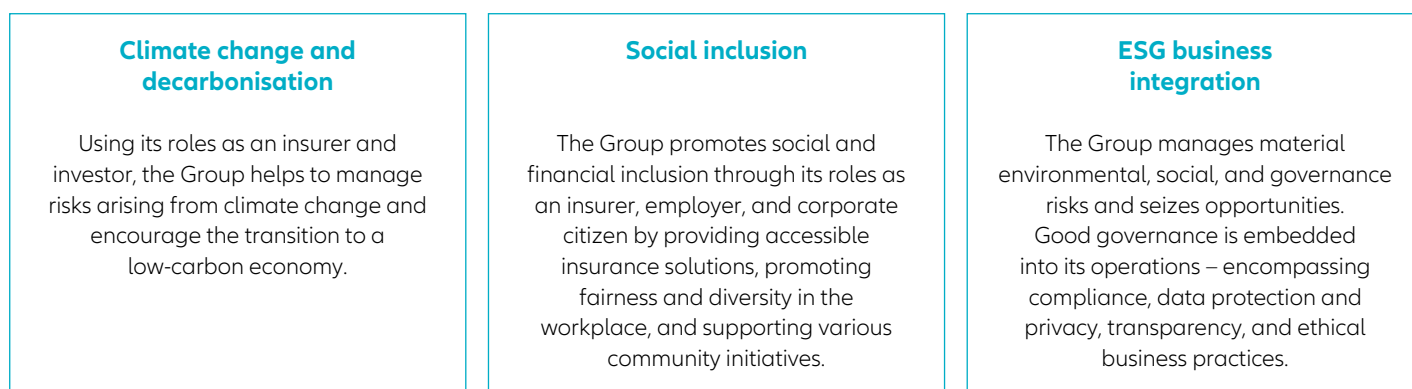


Diagram 1: Sustainability Governance Structure

Our Sustainability Approach

Allianz wants stakeholders to know it as a financially stable, responsible, and trustworthy company that embraces sustainable business as good business. Allianz's internal purpose – "We secure your future" – underpins the work and actions undertaken to be responsible stewards and pursue a better world for future generations.

The Group's sustainability approach is focused on three key areas:



Our Stakeholders

The Group's decision-making is built upon the consideration of a diverse range of views. A stakeholder prioritisation exercise was last conducted in 2019, where key internal and external stakeholders were identified based on each group's level of influence and dependence on Allianz Malaysia. This Stakeholder Prioritisation Matrix has been maintained for 2020 and is illustrated in **Diagram 2 Stakeholder Prioritisation Matrix**.

Revisions to the naming convention of the stakeholders have been made, where Non-Governmental Organisations ("NGOs") has been renamed Social Organisations to reflect that it encompasses NGOs and social enterprises as well. Similarly, the category of Third Party Administration (TPA) Service Providers has been renamed Service Providers, as this more accurately reflects the range of Allianz Malaysia's service partners.

In line with the re-evaluation of the sustainability strategy, the Group has taken a more introspective approach to this year's stakeholder engagement. A materiality survey was circulated to internal stakeholders, namely Directors, senior management, and employees. External stakeholders' concerns were garnered from desk research and informal, regular interactions via various touchpoints, as set out in **Table 1 Stakeholder Engagement Channels**. The Group aims to engage a wider range of stakeholders in the coming year.

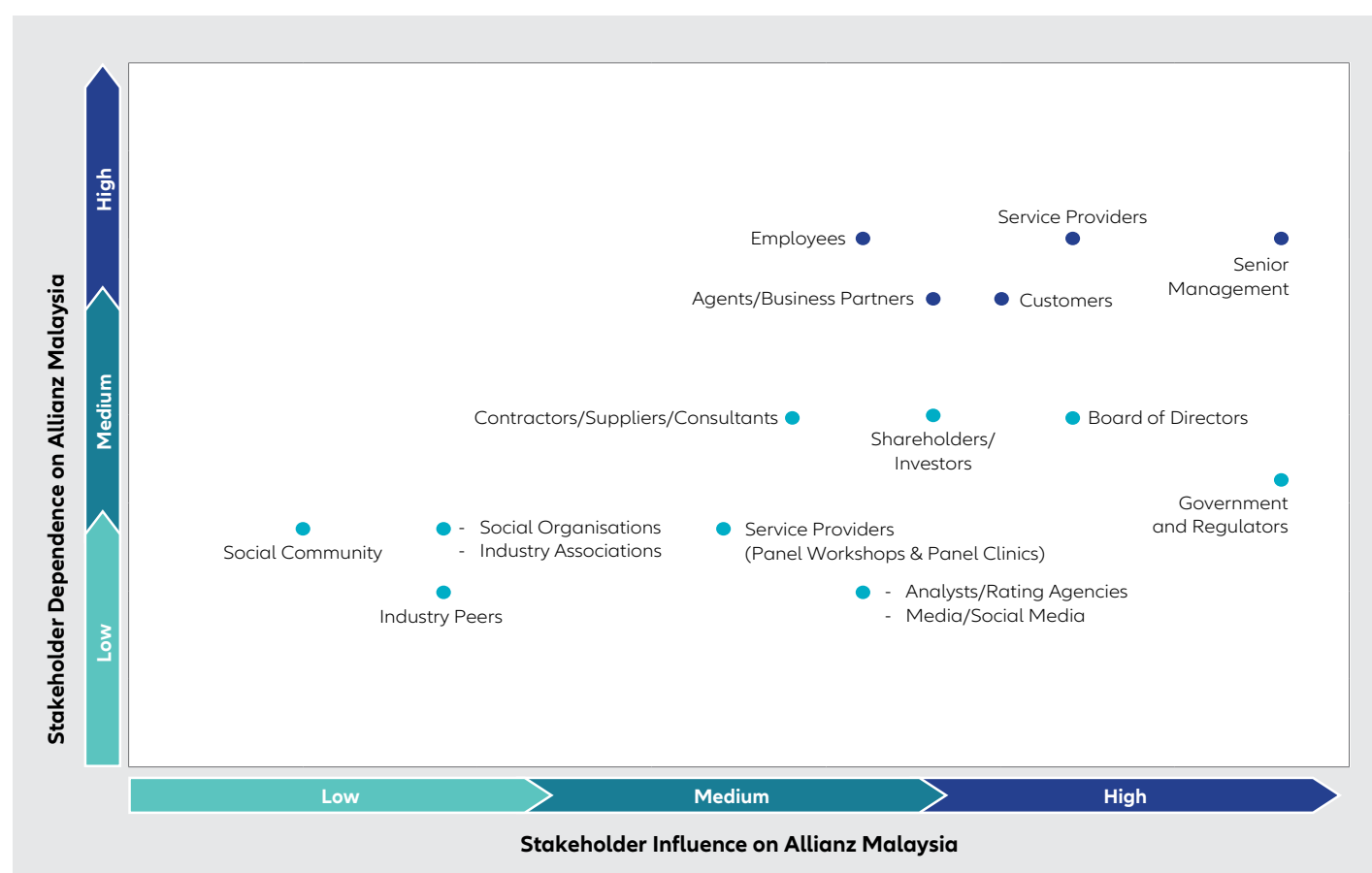


Diagram 2: Stakeholder Prioritisation Matrix

Our Stakeholders

Table 1: Stakeholder Engagement Channels

Employees	Employees are at the core of Allianz Malaysia and the Group constantly receives feedback and communicates through various channels, such as: • Allianz Employee Survey • Materiality Survey 2020 • Townhall meetings and internal communication channels • Learning and development programmes and events • Allianz Malaysia - Employee Community Facebook page	More information on how employee health and wellbeing is prioritised, especially in response to the pandemic, can be found in Employer of Choice.
Agents	Agents are, for many of the Group's products and services, the face of Allianz to its customers. The Group endeavours to improve collaboration and communication through various touchpoints, such as: • Internal publications • Townhall meetings, council meetings, recognition events • Training and development • Feedback through agency surveys and the service request system	Initiatives taken to improve collaboration with agents by harnessing digital tools can be found in Responsible Business.
Service Providers	Allianz Malaysia's service providers include partners that help to deliver its service promise, including the Allianz Road Ranger fleet, vehicle workshops, and medical assistance providers. Key touchpoints with them include: • Vendor Integrity Screenings • Invitation to open tender	Service providers help to provide continuity of service, and the Group continues to invest in enabling technology, detailed in Responsible Business.
Board of Directors	The Board of Directors steers the Group through its strategic advice and oversight. Members of the Board are regularly engaged in: • Board and Board Committee meetings • Learning and development programmes • Materiality Survey 2020 • Company initiatives and events	The Board of Directors represents a diversity of views and experiences. Their profiles can be found in the Board of Directors' Profile in this Annual Report.
Business Partners	The Group's business partners are integral to its success as it continues to expand its digital offerings and broaden its market reach. Interactions with partners include: • Collaboration on events and initiatives • Joint development of products and services	The Group has expanded its breadth of partnerships, particularly in terms of digital offerings, as set out in Responsible Business.

Our Stakeholders

Customers	Allianz Malaysia innovates and adapts to customers' changing needs, putting True Customer Centricity at the core of its strategy. The Group engages with and collects feedback from customers through: • Customer satisfaction surveys such as Net Promoter Score and Voice of Customer rating • Online and traditional platforms (e.g. Live Chat, social media, e-mail, contact centre, and walk-in) • We Care Community platform	The Group continues to grow its customer footprint through consistent engagement and a diverse range of offerings, as explained in Responsible Business.
Shareholders/Investors	The Group's shareholders consist of retail investors and fund houses, apart from its holding company, Allianz. Shareholders/investors are engaged through channels such as: • Annual General Meetings • Analyst briefings • Reports (Quarterly Reports, Annual Reports, Fund Performance Reports) • Shareholders' circulars	Shareholders are kept apprised of pertinent updates through the Group's website. Allianz Malaysia is proud to be acknowledged for its corporate governance by the Minority Shareholders Watch Group as detailed in the Corporate Governance Overview Statement.
Media	Communication about Allianz Malaysia is delivered via various media channels such as online, print, and broadcast. Despite lockdown conditions, media engagement continued as usual, assisted by digitalisation, in the form of: • Virtual press conferences and events • Media releases • Virtual interviews • Streaming product launches via its social media pages • Awareness initiatives (e.g. partnership with OrangKata.my)	The Group uses its media presence to publicise new products and developments and educate the public on relevant topics, as discussed in Responsible Business.
Suppliers	The Group deals with a number of suppliers and service providers as part of its daily operations. They are expected to adhere to minimum standards of conduct which is communicated through, for example: • Vendor Integrity Screenings • One-to-one meetings	Allianz Malaysia advocates for improved ESG standards by engaging with its suppliers, as set out in Responsible Business.
Social organisations	The Group works with social organisations including non-governmental organisations ("NGOs") and social enterprises in carrying out its corporate responsibility initiatives and also as a knowledge resource regarding the communities they serve. Interactions with social organisations include: • NGO Integrity Screenings • Corporate giving and volunteering programmes • Corporate responsibility initiatives (e.g. capacity-building programme)	The Group's corporate responsibility initiatives promote social inclusion and aim to provide long-term impact. This is detailed in Responsible Corporate Citizen.

Our Material Matters

Key to Allianz Malaysia’s long-term success is the recognition and understanding of topics that affect it and the incorporation of these matters into strategic decision-making. Materiality assessments are carried out to identify the environmental, economic, social, and governance issues that are perceived as being most important to its stakeholders and business.

The list of material matters was revised to place greater focus on emerging, non-financial issues rather than those related to operational or compliance requirements. Topics that are considered business-as-usual, pertaining to sound governance practices, are further detailed in the **Statement on Risk Management and Internal Control** and the **Corporate Governance Overview Statement** in this Report, as well as the Corporate Governance Report on Allianz Malaysia’s website. Allianz Malaysia’s recognition as one of the top five financial services in the Minority Shareholder Watch Group’s (MSWG) Corporate Governance Awards , and as an ASEAN Asset Class PLC, scoring over 75% in the assessment for the

2019 ASEAN Corporate Governance Scorecard Award, is testament to its commitment to the highest standards of ethics and compliance.

METHODOLOGY

A materiality survey was circulated amongst internal stakeholders while the views of external stakeholders were collated through a combination of desk research and regular interaction, as highlighted in **Table 1 Stakeholder Engagement Channels**.

The results of these rankings were then discussed at the Local ESG Board and assessed for their link to the Group’s core business and ability to influence the topic. The resulting Materiality Matrix and Top Ten Sustainability Matters were presented to the Board of Directors for their endorsement and are illustrated in **Diagram 3** and **Table 2** respectively. This insight guides the Group in crafting appropriate responses to the risks and opportunities that these matters present.

Please refer to www.allianz.com.my/corporate-profile for detailed information on the Corporate Governance Report.



Diagram 3: Materiality Matrix

Our Material Matters

Table 2: The Group's Top Material Sustainability Matters 2020

Rank	Sustainability Matter	Scope of Sustainability Matter	Themes
1	Responsible products, investments, and underwriting	Products, investments, and underwriting that meet environmental and social needs (e.g. green financing, sustainable solutions, ESG criteria in business)	
2	Customer innovation	Harnessing and adapting to innovative processes, mechanisms, channels, and technologies (e.g. digitalisation, automation, new financing mechanisms)	
3	Climate change	Prevention, mitigation, and management of the impacts of man-made climate change (e.g. transition to renewable energy, carbon divestment)	 
3	Social and financial inclusion	Addressing inequality and the inclusion of marginalised groups (e.g. poverty, wealth disparity, food security, access to insurance, unemployment)	 
5	Health	Promote access to healthcare, disease prevention and management, pandemics, and physical and mental health and wellbeing	  
6	Environment	Resource management and efficiency, environmental protection, and carbon emission of own operations	
7	Employees and workplace	Work environment that promotes diversity, fair and inclusive workplace, human capital management, health and safety, and equality.	
8	Natural disaster and extreme weather	Extreme weather events and natural catastrophes such as floods that affect people and property	 
9	Demographic change	Responding to changes in society and population (e.g. population growth, ageing society, urbanisation, migration)	
10	Cyber risks	Security measures taken to protect data and operations from cyber incidents (e.g. infrastructure attacks, phishing, ransomware)	

Legend:



Responsible Business



Employer of Choice



Responsible Corporate Citizen

Our Material Matters

DISCUSSION

The COVID-19 pandemic has had an amplifying effect on many ESG matters – exacerbating inequalities and widening the divide between the have and have-nots in terms of wealth, digital literacy, access, and infrastructure. Faced with this crisis, consumer and investor sentiment shows a shift towards wanting not just to rebuild, but to build back better¹. In Malaysia, the growing investor interest was evident with the launch of a number of green and socially-responsible investment products in the past year.

The Group sees the development of responsible products, investments, and underwriting as a key way to address ESG topics using its strength as a business. Systematically integrating ESG criteria into investing and underwriting decision-making and developing solutions that create value beyond profit will contribute towards a more resilient and secure future for all. In this way, other material matters are also impacted. The establishment of the Local ESG Board as the core driver of ESG topics ensures integration of sustainability into the core business.

Understandably, health was a topic that ranked highly among stakeholders. In the World Economic Forum's Global Risks Report², 'Infectious Diseases' was rated the most impactful and greatest short term risk, and 'Pandemic Outbreak' was the second most important business risk in AGCS' Risk Barometer³. The Group prioritised the health and wellbeing of employees in responding to the pandemic, taking efforts to ensure that they could continue to perform in an environment where they felt safe and comfortable. Overall public health also impacts Allianz Malaysia's business, and measures were

taken to assure customers that Allianz is with them in their time of need. Additionally, contributions were also made towards the protection of the most vulnerable through the Group's community support initiatives.

With physical distancing requirements in place, digitalisation became not just a means for companies to stand out, but integral to adaptation and survival. Allianz Malaysia embraces customer innovation through its investment into becoming digital by default and development of solutions relevant to changing customer needs. However, with cyber-attacks on the rise, it is also cognisant of the need to pre-empt and manage cyber risks and data privacy considerations that are part and parcel of digital adoption.

Climate change and social and financial inclusion, ranked joint third in the matrix respectively, are focal points in the Group's sustainability approach. Despite the tumult of the pandemic, 'Climate Action Failure' consistently ranks highly in the Global Risks Report - both in terms of likelihood and impact. Our actions as a society in the next years determine the prosperity of future generations, and Allianz is committed to managing its own environmental footprint while encouraging positive action towards delivering the 2015 Paris Climate Agreement.

Allianz Malaysia's actions to address these material topics are discussed in the following pages, where its performance and initiatives as a **Responsible Business, Employer of Choice**, and **Responsible Corporate Citizen** are set out.

¹ <https://www.pwc.com/my/en/assets/publications/2020/rethinking-esg-in-a-post-covid-19-world.pdf>

² <https://www.weforum.org/reports/the-global-risks-report-2021>

³ <https://www.agcs.allianz.com/news-and-insights/news/allianz-risk-barometer-2021.html>

Responsible Business

Increased NPS scoring for
Allianz Life
↑9.0%

Allianz General
↑0.3%

Over **890,000**
Sustainable Solutions
policies sold in 2020

Over **15,000**
Friends of Allianz
registered in 2020

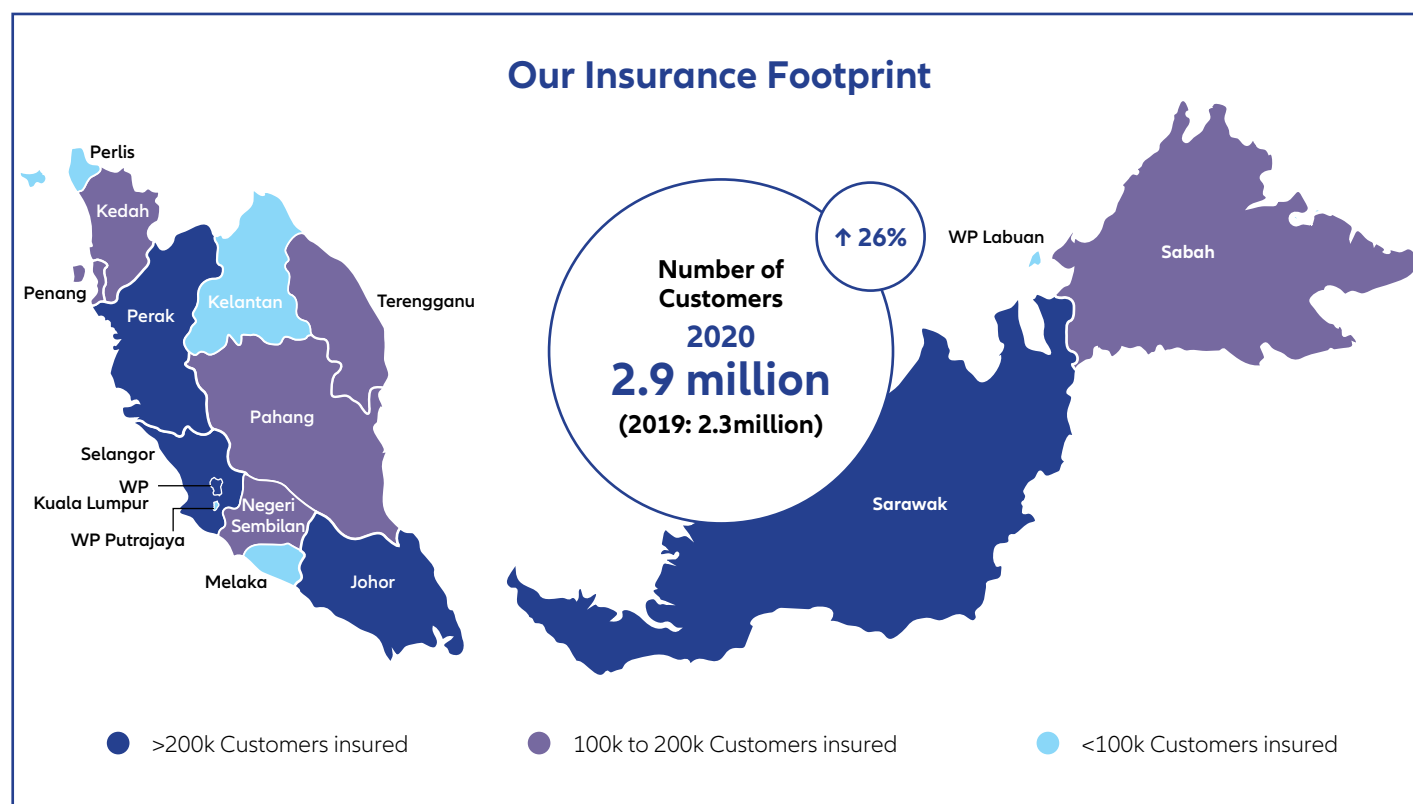


Diagram 4: Our Insurance Footprint

It is in the nature of insurance to protect people and businesses against risk. Allianz Malaysia recognises its responsibility in this role – to constantly innovate so that its product offerings address changing societal needs while ensuring that customers remain at the centre of its business decisions.

EMBEDDING ESG IN OUR BUSINESS

ESG considerations are embedded into Allianz's insurance and investment decision-making as set out in the ESG Integration Framework. The Allianz Standard for Reputational Risk Management defines the ESG Sensitive Business Guidelines, Sensitive Countries List, and ESG Referral Process, which are integrated into business processes through policies and functional rules, namely the Allianz Standard for Underwriting and the Allianz ESG Functional Rule for Investments. Insurance or investment transactions that concern thirteen sensitive business areas listed in the Allianz Standard for Reputational Risk Management will trigger the ESG referral process, subjecting them to further assessment.

Please refer to www.allianz.com/content/dam/onemarketing/azcom/Allianz_com/sustainability/documents/Allianz_ESG_Integration_Framework.pdf for detailed information on the ESG Integration Framework.

Responsible Business

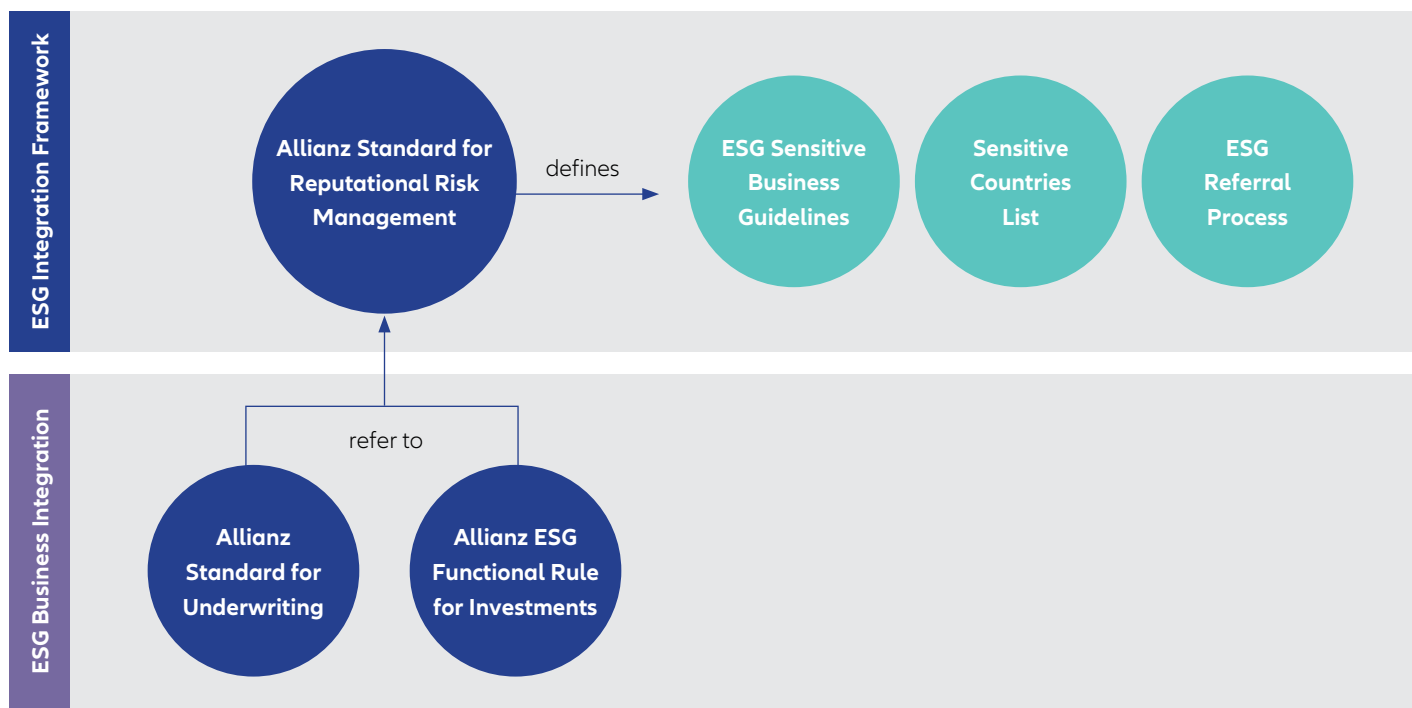


Diagram 5: Key ESG Governance Processes at Allianz

Allianz is a signatory of the United Nations Environment Program Finance Initiative (UNEP FI) Principles for Sustainable Insurance - a global framework for the insurance industry to address ESG risks and opportunities and a global initiative to strengthen the insurance industry's contribution to building resilient, inclusive, and sustainable communities and economies. Locally, the Group's exposure to risk is largely indirect, through the risks carried for its insured clients. The identification, referral, assessment and management of such risks are systematically integrated into underwriting processes via the Allianz Risk Management Framework and the Allianz Standard for Underwriting. In line with Allianz's climate commitments, the Group does not offer insurance for coal-powered plants or mines, and aims to fully phase out coal-based risks from its insurance portfolio by 2040.

In 2020, ten of Allianz Malaysia's insurance cases triggered the ESG Referral Process for further investigation, with eight cases subsequently approved at local level and two approved at Allianz ESG Board level. No transactions were declined due to ESG risks.

Allianz is committed to the Principles for Responsible Investment, which guides its approach to managing ESG risks within its investment portfolio. When considering potential investments, an ESG Scoring Process is used to systematically evaluate and manage material ESG risks. For listed assets, the Group refers to the ESG rating reports generated by MSCI ESG Research. Those that do not meet a minimum rating threshold score are subjected to a thorough ESG risk screening and evaluation process for manual justification. Investments into non-listed assets are subject to further scrutiny if they relate to a sensitive business area, to ensure that ESG risks are sufficiently managed.

The Group's outsourcing policy has been updated to incorporate ESG questions as part of the screening documents for all outsource vendors during the procurement process. This builds on the existing Vendor Integrity Screening process, providing assurance that relevant ethical standards are adhered to and highlighting gaps in compliance. Understanding that this is a journey for all parties, Allianz Malaysia takes an approach of continuous engagement to advocate for improved ESG standards.

Responsible Business

PRODUCTS THAT MEET CUSTOMER NEEDS

Allianz Malaysia has various customer feedback mechanisms and is constantly in dialogue with agents and intermediaries, receiving insight from their interaction with customers and noting trends to feed into product and service development. To promote closer collaboration, Allianz Life set up a dedicated Agency Sales Experience Team, where councils comprised of agents and employees meet regularly to discuss improvement opportunities.

The pandemic highlighted the role of insurance as a way for people to protect themselves and their families – both physically and financially. The Group's strategy of offering simple, relevant products and making them easily accessible helps customers navigate the oftentimes complex financial environment.

Allianz Life introduced two guaranteed issuance products, namely Allianz 1Cover and Allianz BolehCover, to its product range, the hallmark of which are low premiums and hassle-free enrolment. These products are financially accessible, allay customer concerns of needing to go for medical examinations during a pandemic, and are easy for agents to explain, facilitating remote sales to abide by physical distancing requirements. POS LifeCare, launched in early 2021 and distributed exclusively by Pos Malaysia, is also affordably priced while providing ample benefits, allowing Allianz Life to reach more customers through Pos Malaysia's branch network.

Allianz General launched Allianz Lifestyle Protect to serve as an all-in-one personal protection plan to manage everyday risks such as theft, smart device protection, and online purchase protection. By providing coverage addressing frequent occurrences like online shopping, Allianz aims to change the perception of insurance as something that is rarely applicable to one that brings daily peace of mind. POS Parcel Protection and POS Bill Protection have the same intention - by providing small, yet relevant protection for everyday needs.

The Group continually reviews and revises its existing products to enhance benefits and services in order to cater to evolving needs. During the pandemic, safety and protection emerged as a paramount concern.

- Modular home insurance enhancements were made to the HomeFix component of Smart Home Cover by Allianz General, where policyholders could seek services on platforms like Recommend.my to carry out immediate fixes including plumbing works and air conditioner servicing once a year. Additional coverage includes home maintenance services such as pest control and home disinfection.

Do I Need LIFE INSURANCE?

Having life insurance is about preparing for life's unexpected events and doing enough to safeguard your family and loved ones financially.

ALLIANZ 1COVER	VS	ALLIANZ BOLEHCOVER
Do you have dependants – young children, spouse, or aged parents? Are you part of a single-income household?		Did having a pre-existing medical condition put you off from buying life insurance?
16+ Entry age: 16 to 45		46+ Entry age: 46 to 70
30-year term plan with 3 choices of Insured Amount (choose either RM50,000, RM100,000 or RM200,000)		Provides up to 2X of the Death Benefit*
Provides up to 3X of the Death Benefit*		Get covered for your golden years as early as 46 years old up to age 100
Affordable premiums from as low as RM0.85 per day		Receive 100% of Insured Amount upon policy maturity*
Hassle-free enrolment with no health question asked & no medical examination required		
Guaranteed and level premium throughout the coverage term		

Note: * Please refer to product brochure for full policy details on allianz.com.my/allianz-1cover and allianz.com.my/allianz-bolehcover.

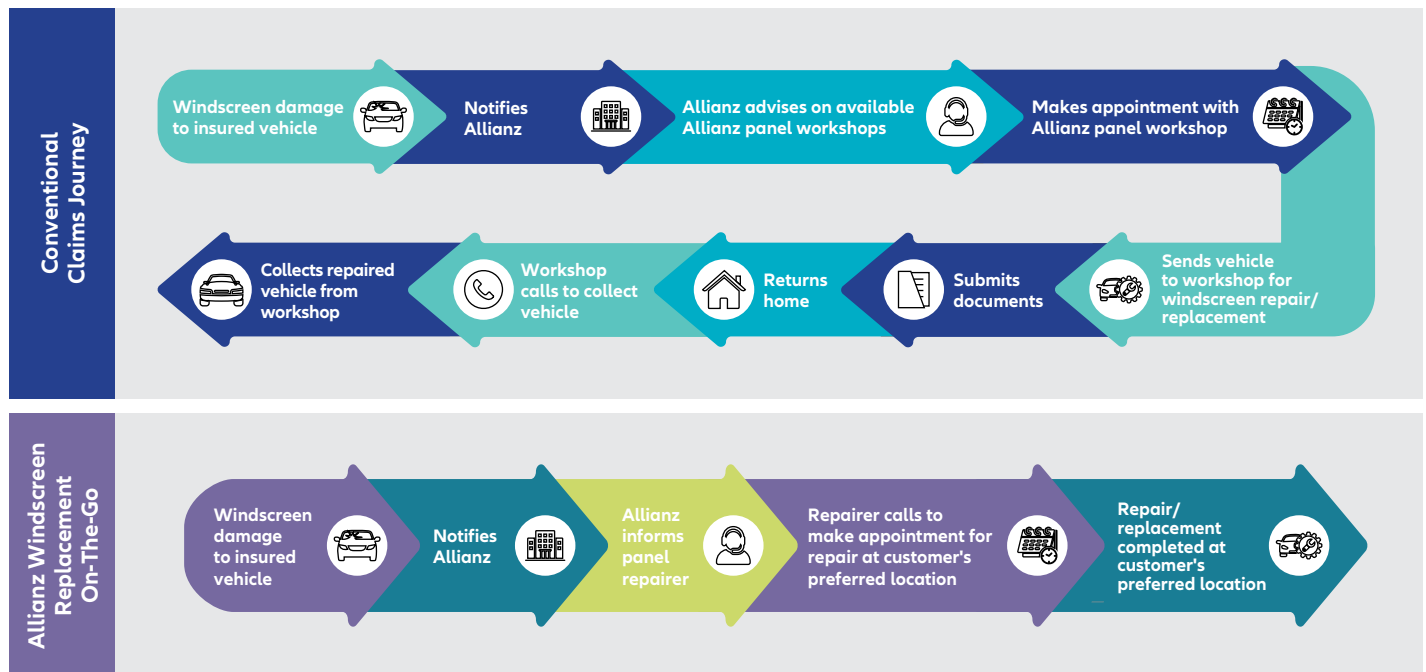
Allianz 1Cover and Allianz BolehCover were launched as low-premium and hassle-free products



Smart Home Cover enhancements include additional services for the home

Responsible Business

- Seeing the impact of the pandemic on Small-Medium Enterprises (“SMEs”), Allianz General enhanced its Smart Retail Shield product to include an optional Inconvenience Relief Benefit, providing financial relief to SMEs whose premises face temporary closure as instructed by the authorities.
 - Allianz Life has taken a proactive approach in offering measures to alleviate some of the concerns of customers during this pandemic period. The measures range from extending grace periods for premium payments to offering bonus coverage in the event of death or diagnosis of COVID-19 for the customer or their family members. These initiatives aimed to reduce the financial burden of existing customers in light of the impact of COVID-19 on their lives.
- Allianz Malaysia also strives to improve its processes and automate where appropriate. The Group identifies, addresses, and eases ‘pain points’ while enhancing drivers of satisfaction in the customer experience, such as:
- Cashless claims service with instant approval where repair or replacement of insured items or property is arranged directly by Allianz General, removing the need for customers to submit claims for reimbursement. This includes on-site vehicle windscreen repair or replacement within three hours, as well as quick repair service for homes and commercial buildings by Allianz General’s preferred contractor. These two services have been rolled out in Klang Valley in 2020, with planned expansion to major cities in 2021, followed by nationwide rollout.



The Windscreen Replacement On-the-Go service reduces the number of steps and therefore the overall customer journey

- The Allianz Claims Caravan and Allianz-branded 4x4s were deployed to various flood-affected regions so that customers could easily submit claims and loss adjusters were on-hand to expedite the process. Allianz General strives to make either full or interim payment within five days of the loss adjuster’s visit as a way of speeding up customers’ return to normalcy.
- Continued improvement of the Allianz Road Rangers service with the piloting of an online tracking system where, upon request for assistance, customers receive the contact information of the tow

truck driver assigned to them and location updates of the tow truck’s progress to the customer’s location. Thus, customers can verify the identity of the serviceperson and also manage their schedule accordingly.

**Allianz Road Rangers has served over
300,000 customers
since 2017**

Responsible Business

SUSTAINABLE SOLUTIONS

Allianz Malaysia uses its insurance offerings to advocate for environmental responsibility and serve as an equalising social force. Allianz has rolled out a programme called 'Sustainable Solutions' to identify and promote the development of products and services that tackle issues faced by socially disadvantaged groups or that contribute to positive environmental impact. Further details about the criteria for Sustainable Solutions can be found in Allianz's ESG Integration Framework.

Number of Policies
890,000
(2019: 331,000)

GWP contribution
RM134,600
(2019: RM51,500)

Allianz Malaysia offers seven Sustainable Solutions

Provides protection against risks associated with adoption of renewable energy SolarPro All Risk PV Insurance	Promotes accessible insurance for Persons with Disabilities - Allianz Ability Life - Allianz Individual PA	Provides protection for previously uninsured wooden <i>kampung</i> houses Allianz Kampungku/ Allianz POS Kampungku	Promotes accessible insurance for low-income populations - Allianz Kasih Hayat - BIMA Life - Allianz Motorcycle Plus
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Allianz General is a leading solar insurance provider in Malaysia, providing peace of mind to retail and commercial customers that their solar photovoltaic ("PV") systems are protected from point of construction up to operation, even including losses during system downtime. Allianz General worked in collaboration with Sustainable Energy Development Authority Malaysia and the Malaysia Photovoltaic Industry Association to develop the SolarPro All Risk PV Insurance.

In 2020, Allianz General and partner agency Anora Agency Sdn Bhd ("Anora") entered into a number of Memorandums of Understanding to further the product footprint, for example with OpenSys (M) Berhad to become the first insurance solutions provider on its buySolar platform connecting solar PV users with relevant energy stakeholders, and with Malaysia Debt Ventures such that Anora becomes the fulfilment partner for their solar PV financing customers.



Allianz Kampungku covers wooden *kampung* houses, mainly located in rural areas. The product, renamed Allianz POS Kampungku, saw an increase in uptake in 2020 due to the addition of a new distribution channel via POS Malaysia. The product is simple and easy to access, in the hopes that it will provide a positive first experience of insurance for the previously uninsured.

Responsible Business

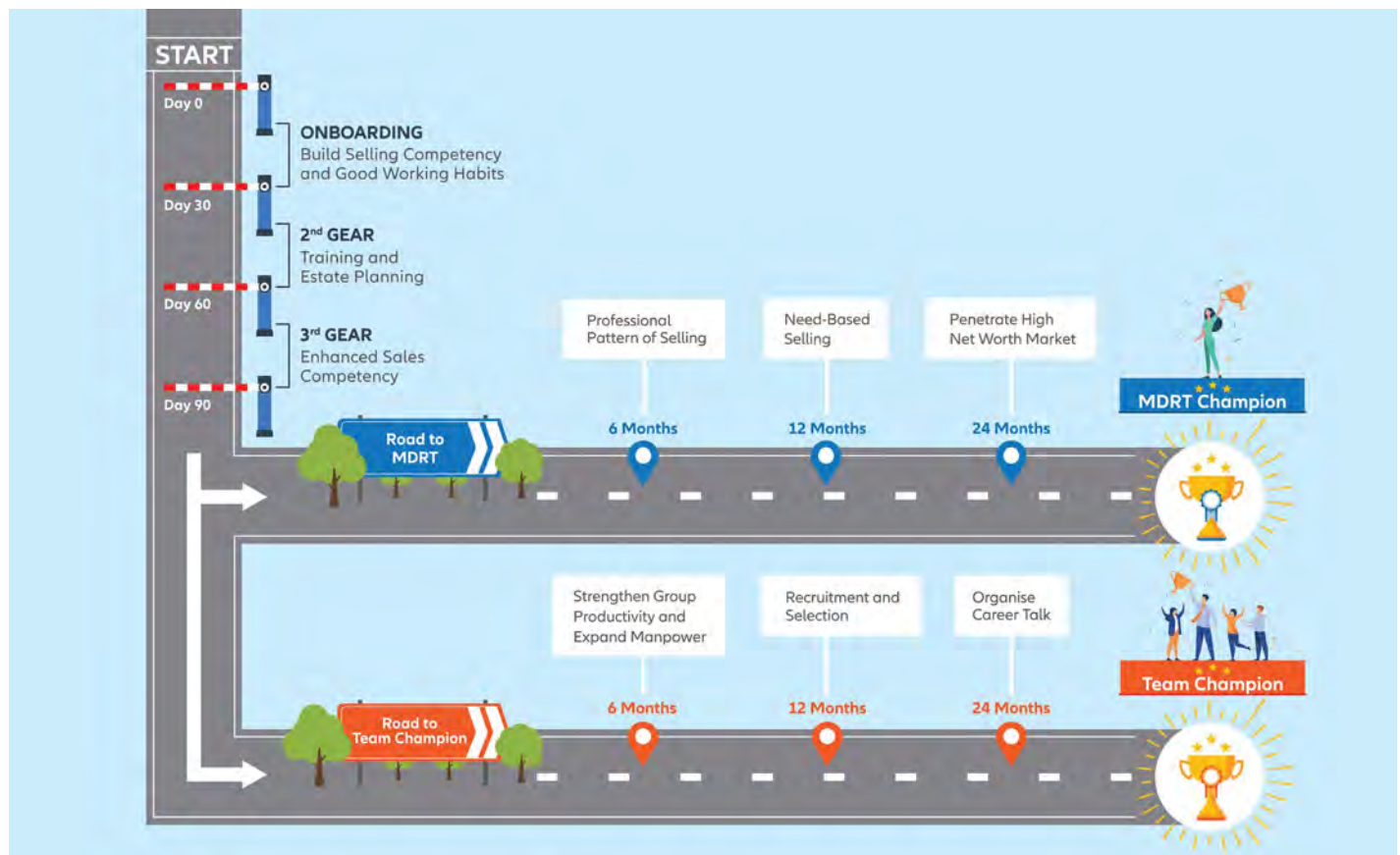
STRIVING FOR SERVICE EXCELLENCE

Allianz Malaysia seeks to build a team of professionals that is fully equipped to best serve its customers. This is achieved through promoting relevant upskilling, training, and development to employees and intermediaries, and forming high calibre partnerships.

- Customer service employees undergo Training Needs Analysis to identify opportunities for growth, such as through in-house certification or obtaining external qualifications offered by the Life Office Management Association ("LOMA") and the Malaysian Insurance Institute ("MII"). This aims to build them as customer advocates and relationship managers that can provide advice based on a holistic view of customers' needs.
- Allianz Life entered a training services agreement with the Malaysia Financial Planning Council, enabling its agents to enrol in the Professional Estate Planning Adviser Programme. Through the programme, agents are able to gain in-depth knowledge on how to integrate their services into effective financial or estate planning.
- Allianz Life collaborated with RHB Trustees Berhad ("RHBT") to refer its customers to RHBT for their legacy planning services that complement Allianz Life's insurance offerings. This aims to give customers the assurance that the necessary financial arrangements for their next of kin will be well managed.
- Allianz Life raises the bar for its incoming pipeline of insurance agents through the 24-month Career of Excellence and Opportunity (C.E.O) programme, which has a strict selection criteria paired with rigorous, structured training and monitoring. Programme participants are offered fast track growth and personal coaching and mentoring, as well as monthly financial assistance so they can focus on learning and development during their training period.

72 agents
certified as Professional Estate
Planning Advisers in 2020

Please refer to www.allianz.com.my/allianz-ceo-programme for detailed information on the Career of Excellence and Opportunity (C.E.O) programme.



The C.E.O programme provides a fast-tracked pathway with an emphasis on learning and growth

Responsible Business

Allianz Malaysia's insurance intermediaries are guided by the Sales Standard and Sales Agent Code of Conduct and must comply with the Code of Ethics and Conduct imposed by the respective insurance associations. Allianz Life agents are also assessed according to criteria of the Key Performance Measures under the Balanced Scorecard Framework ("BSC") – required by Bank Negara Malaysia under the Life Insurance and Family Takaful Framework. Agents' remunerations are tied to their BSC results, thus incentivising a high level of ethical behaviour. More information on the governance structures in place to regulate intermediary behaviour can be found in the **Statement on Risk Management and Internal Control**.

A major exercise undertaken in 2020 was the review and revamp of Allianz General's Authorised Repairers panel. An invitation was issued to all repairers listed in the PIAM Approved Repairers Scheme (PARS) to apply, resulting in a panel consisting of 195 repairers nationwide, of which 40% were new to Allianz General. All repairers are required to subscribe to the highest standards including the use of genuine parts, quality repair work within a stipulated turnaround time, and a warranty period of two years for parts and repairs.

The repairers have an annual scorecard review to ensure that they meet and maintain a minimum threshold.

Repairers' performance is one of the areas monitored via the Voice of Customer feedback system, formerly referred to as the 5-star rating, which measures customer satisfaction based on their individual interactions with Allianz Malaysia. This feedback system will be rolled out to encompass more customer journeys in 2021. By receiving feedback specific to discrete interactions, the Group is able to pinpoint problems and target areas for improvement across the entire customer journey.

The Net Promoter Score is another means of receiving feedback and measuring customer loyalty based on their willingness to recommend the company. Both Allianz Life and Allianz General saw an improvement in the annual Net Promoter Score ("NPS"), indicating that efforts in service improvement and a strategy of consistent engagement has helped position Allianz as a trustworthy and relevant brand.

	Top Down NPS Performance 2018	Top Down NPS Performance 2019	Top Down NPS Performance 2020	
Allianz General	+0.9% (Market average = +2.4%)	-2.4% (Market average = -8.5%)	-2.1% (Market average = -6.1%)	↑0.3%
Allianz Life	+12.2% (Market average = -0.9%)	-7.1% (Market average = -8.1%)	1.9% (Market average = -5.1%)	↑9.0%

The Group launched a number of customer engagement initiatives during this unprecedented period to provide assurance and impart useful information. This includes the "We Are With You Always" campaigns, as well as press articles with relevant consumer tips and safety reminders, such as proper car maintenance during the Movement Control Order ("MCO") and homecare tips after extended time spent at home. Customers were kept informed of latest updates and service highlights via all possible engagement touchpoints.

Allianz Malaysia is committed to the highest standards of ethical customer service in accordance with Bank Negara Malaysia's policy document on Fair Treatment of Financial Consumers.

Customer Service Performance

Metric	2018	2019	2020
Number of compliments received	113	108	83
Number of resolved complaints	519	691	814
Percentage of complaints resolved at year end	91.90%	92.20%	96.10%
Average complaint processing time	Allianz General: 10 calendar days	Allianz General: 14 calendar days	Allianz General: 13 calendar days
	Allianz Life: 22 calendar days	Allianz Life: 26 calendar days	Allianz Life: 20 calendar days

Responsible Business

COVID-19 presented a new and invisible threat and Allianz Malaysia took various precautions to minimise infection risk to its customers and business partners:

- Allianz General was the first insurer to introduce disinfection services as part of the Standard Operating Procedures at vehicle workshops, with vehicles disinfected upon receipt and before release to customers. Customer waiting centres are also required to be disinfected twice a day.
- Guidelines were rolled out to branch offices to limit agent and customer presence in branches and promote cashless and contactless payments. Allianz Malaysia also subsidised disinfection services for agents' premises where COVID-19 positive cases were detected. Digital tools and processes enabled agents to reduce the need for physical interaction, further described in **Harnessing Digital Capabilities**.



Vehicle disinfection became part of the Standard Operating Procedure at vehicle workshops

Financial security and COVID-19's impact on livelihood were major concerns of Malaysians during the pandemic. Allianz Malaysia recognises its role as more than just about providing protection. It also serves to build community confidence, especially during times of uncertainty.

- Allianz Malaysia launched the We Care Community initiative as an avenue to support the community and position itself as a beacon of reassurance during the pandemic by promoting health and positivity. Membership of the We Care Community is free and open to all Malaysians aged 18 years and above, and members receive complimentary COVID-19 relief as well as virtual lifestyle benefits and wellness and lifestyle rewards. This is the first step of a long-term mission to form a healthcare ecosystem that provides end-to-end care solutions needed by Malaysians for their health and wellness.
- In 2021, Allianz Malaysia will launch Vivy as a complementary app for engagement on health, which will provide targeted offerings to users and guide them through their unique health journeys. Core features of the app include health content, quizzes, medication plans, and health interventions like teleconsultations, e-pharmacy, and second medical opinions. This is with the aim of offering real and holistic support to policyholders - from preventive health all the way to recovery. Vivy is just one of the global assets that can be leveraged through the Allianz Customer Model, a change programme to adapt and adopt simple, digital, scalable solutions across Allianz's global network.



#WEAREWITHYOUALWAYS
**ALLIANZ WE CARE
COMMUNITY**

Complimentary COVID-19
coverage and healthcare benefits

Terms & Conditions Apply

The We Care Community was launched to provide support and reassurance to the wider society

Responsible Business

ENCOURAGING FINANCIAL INCLUSION

Insurance is one risk management tool that can help to improve community resilience against financial shocks. The pandemic was a stark reminder of Malaysia's insurance protection gap, which a recent Swiss Re study estimated at 74% of the country's total protection need⁴. Apart from developing simple, accessible products, Allianz Malaysia also raises awareness on the importance of financial protection and encourages financial security through providing opportunities for financial empowerment.

- The Friends of Allianz programme kicked off in early 2020 where members of the public could sign up to be paired with one of the Group's agents. These Friends of Allianz can then earn a supplementary income by referring potential customers to their partner agent, as part of the commission for successful referrals would go to them. A secondary outcome Allianz Malaysia hopes to achieve from this is improved insurance penetration, as the programme encourages conversations around the need for protection.

Over 15,000
Friends of Allianz enrolled in 2020,
and their referrals contributed over
RM50 million in Annualised First Year Premiums.

Find out more about the Friends of Allianz programme at
<https://www.allianz.com.my/friends-of-allianz>

- The Group also promotes awareness on insurance through its year-long partnership with Orangkata.my, a Malay language online media platform with the aim of sharing knowledge, current news, and promoting critical thinking, especially amongst young people. Orangkata.my published articles, videos, and infographics related to basic insurance knowledge, understanding of conventional insurance in comparison with Takaful, and specific information about Allianz Malaysia's offerings to its over 50,000 Facebook followers, as well as on its website and Instagram.

Find out more about **Orangkata.my** on their website, Facebook page and Instagram

<https://orangkata.my>
www.facebook.com/orangkata.my/
www.instagram.com/orangkata_my/?hl=en

- Allianz Life embeds the concept of empowerment through financial inclusion via the Allianz Life Changer programme, used as the overarching theme for recruitment. Agent growth and development revolves around becoming enablers to ensure that customers have adequate protection to fulfil their needs. This theme of changing lives is carried through from changing

the agents' own lives, to those of their direct employees, their customers, and the wider community – as evidenced by the agents' charitable giving initiatives. Unable to carry out the annual Allianz Life Charity Day due to the pandemic, the agents instead rallied to raise funds for COVID-19 response, as detailed in the **Responsible Corporate Citizen** section.

A key way that Allianz Malaysia expands its reach and increases insurance penetration is through building partnerships that allow for new and innovative insurance solutions to be delivered through non-traditional channels.

- Allianz Malaysia partners with Pos Malaysia to leverage on its extensive reach into rural areas. This is an opportunity to improve the financial inclusion of these communities through the offer of simple, need-based, accessible products. For some Pos Malaysia customers, this may be their first exposure to certain insurance products, so the Group aims to make the experience – from purchase to claims – as seamless as possible to build their confidence in the need and benefit of financial protection.

Product offerings in Pos Malaysia

POS RumahKu

Flood and fire coverage for wooden *kampung* houses

POS Bill Protection

A low-cost personal accident insurance that covers important payments in the event misfortune occurs

POS Parcel Protection

Gives peace of mind by covering any damage or loss during local parcel delivery

POS LifeCare

A low premium life insurance that includes COVID-19 and dengue cover

- Allianz General is working to improve its offerings to motorcycle owners as a vulnerable, yet underserved segment of road users. In 2019, rider protection benefits were added to the Allianz Motorcycle Plus product at no additional cost. Amongst its upcoming initiatives, Allianz General will set up a panel of specialised motorcycle repairers and roadside assistance for motorcycles.
- In recent years, Allianz Malaysia has formed various digital partnerships with players in the e-commerce, mobility, finance, retail, and property fields, amongst others. Recognising that the start-up ecosystem is ripe for innovation, it supported the NEXEA Multi Corporate Accelerator in 2020 as a means of keeping abreast of developments and reaching out to the start-up network to identify potential collaborations or partnerships.

⁴ <https://www.swissre.com/dam/jcr:6a844406-4898-4ffe-b45b-2e5696128624/SRI-Expertise-Publication-Closing-Asias-Mortality-Protection-Gap-July-2020.pdf>

Responsible Business

HARNESSING DIGITAL CAPABILITIES

Consumer behaviour and preferences continue to change, as technology makes different forms of interaction more appealing and acceptable. Behaviour change due to altered routines during the pandemic was also observed. The Group is monitoring a number of behavioural trends to see if they are temporary or sustained, and assessing various tools for adoption to match these changing trends.

- Customers are increasingly opting for non-voice interaction via social media, chat, and e-mail at non-business hours. During the lockdown period, the number of e-mail interactions doubled from the same time period in 2019. Allianz Malaysia will continue to monitor such behavioural trends and incorporate more digital solutions to ensure that it can reach out to customers quicker and in a more personalised manner, thus improving the customer experience.
- The MyAllianz Customer Portal was launched in early 2020 with an improved, mobile-friendly user interface and integrated online assistance, giving customers easy access to their policy information and documents and enabling them to carry out basic policy maintenance. A simplified process helped to boost customer registration to the portal, with a 64% increase in sign-ups since the launch.

Allianz Malaysia harnesses technological advancements to optimise processes and improve customer interactions. This includes:

- Digital and automated policy issuance process for agency channel - from point of sales to issuance of e-policy - leading to a doubling in the number of policies delivered in five minutes.

41%
of Allianz Life policies issued by agency channel
within 5 minutes, up from 23% in 2019.

- Automated underwriting for Allianz General's retail products, with policies and policy-related communication issued in soft copy.
- 89% of Allianz Life's policy-related communications sent electronically while 90% of Allianz Life's policyholders opted to receive digital policies in December 2020.
- Enhanced capacity for agents to perform digital self-service for policy change requests from their customers via the respective agents' portals of Allianz General and Allianz Life, and enhanced capacity for customers to perform self-service through Allianz Malaysia's corporate website, for example through digital claims submission.

- Adoption of fully digital tender process in sourcing and procurement to remove the need for physical documents and facilitate remote working during the pandemic. Part of this process is expected to remain digital in future.

**Tender process to review applications
for the Allianz General authorised
repairers panel was entirely digital to
accommodate MCO conditions, with over
1,000 applications screened.**

Allianz Malaysia's investment into its digital capabilities allowed for minimal disruption when pandemic conditions prompted an abrupt and hasty migration to remote working.

- Planned digitalisation was accelerated as 94% of the workforce worked remotely at the height of the lockdown. Substantial investments were made into technology such as additional laptops, remote access client licences, and staff phones with secured mail access.
- The Group did not experience significant disruption to the sales process as systems were in place to be paperless from point of quotation up to premium collection and payment. Agents did not have to be physically present in branch offices as all transactions on the remote sales platform could be done virtually.
- Additional investment is being made into leads management from online enquiries, where customers will be assigned to the best matching agent with the aim of connecting them to personalised service in the shortest time.

Connectivity was emphasised, not just to maintain productivity, but to ensure that the links between agents, distributors, employees, and customers did not break down at this time when people had many questions and required assurance.

- With the wider acceptance of virtual meetings, Allianz Malaysia has been able to increase its interactions with its agents and employees, recording greater attendance during regular virtual town hall meetings in the absence of travel limitations. In previous years, Allianz encouraged virtual meetings as a way to reduce greenhouse gas emissions, and expects that this mode of operation will be maintained to some extent even once travel restrictions are lifted. Thus, investments have also been made into virtual meeting technology.

Responsible Business



Allianz's Town Halls for the year were held virtually, with the support of a sign language interpreter for hearing-impaired colleagues

- The Group's focus on digitalisation has enabled continuous engagement with customers digitally through various channels such as its corporate website, Facebook page, and Instagram. The consistent interaction allows the Group to provide customers with timely updates and reassurance that Allianz is with them in their time of need.

MANAGING CYBER RISK

While building remote working capabilities, Allianz Malaysia is mindful of the cyber risks that come along with it. The Group is guided by Allianz policies and best practice concerning cyber security, further bolstered by compliance with Bank Negara Malaysia's Risk Management in Technology ("RMiT") policy.

- Allianz Malaysia is in the midst of its two year plan for full compliance to the RMiT, which entails risk assessments on processes, infrastructure, and users. A cyber risk maturity assessment will be conducted in 2021 as part of this planned roadmap to compliance.
- Continuous training and awareness programmes, including certification of employees, are also carried out to strengthen the Group's first line of defence. Recognising a global trend of increased cyber-attacks during the pandemic, Allianz Malaysia placed emphasis on defending against threats such as phishing e-mails in 2020.
- A Cyber Security Operations Team independent from the Information Technology ("IT") department was set-up as a means of providing independent reviews, checks and balances on the implementation of cyber risk controls.

- In supporting remote work, Allianz Malaysia is adopting a number of cloud-based solutions. Precautions are taken to ensure that data privacy and security is maintained, such as conducting the necessary assessments at the outset including Privacy Impact Assessments to ensure that any privacy-related gaps identified are sufficiently mitigated before a solution is implemented. Additionally, various stakeholders from IT, data privacy, governance, and operations teams are involved from the early stages of product and service development to understand the way that data will be collected, used, and stored, and to ensure that security considerations are built in from the start, adopting the principle of secure by design.
- For data hosted on Allianz Malaysia's own servers, artificial intelligence has been deployed for environmental monitoring to immediately identify and raise concerns to the developer should there be any unusual behaviour. A holistic approach is taken where impacts on user experience are managed, rather than just silo components of the system.
- The Group benefits from Allianz's centralised IT security monitoring system that constantly scans for threats or breaches to cyber defences. Additionally, a new artificial intelligence-based cyber security system has been deployed which can recognise and flag suspicious anomalies in user behaviour.
- In ensuring that data privacy standards are at the highest level, a Privacy and Data Management task force meets monthly to go through plans and issues related to the topic. Responsibility for compliance to data regulations has been moved to the first line through the appointment of Data Privacy Champions in each department who undergo additional training and are tasked with monitoring and ensuring that standard operating procedures in their departments are strictly adhered to.
- General Data Protection Regulation ("GDPR") training is one of the modules under Allianz's Mandatory Annual E-Learning & E-declaration, which all employees are required to complete. As an entity of Allianz, it is important that employees have a working knowledge of the European Union GDPR, especially since these regulations have extraterritorial jurisdiction. Agents are also apprised of relevant data privacy regulations and best practices through training sessions held at Allianz Malaysia branch offices from time to time. Additionally, general data privacy training is built into onboarding sessions for new joiners to ensure that there is no gap in compliance. More information on data privacy and confidentiality training and compliance can be found in the Statement on Risk Management and Internal Controls.

 The Allianz Privacy Standard, which details the Group's approach and commitment to compliance with GDPR and local privacy laws and regulations, can be found on Allianz Malaysia's corporate website at www.allianz.com.my/privacy-statement.

Employer of Choice

Inclusive Meritocracy Index improvement to
84%

Work Well Index up 2% to
77%

RM1.8 million
spent on training and development

The Allianz Code of Conduct sets out the values and principles that guide the actions of all Allianz employees in fulfilling the purpose – “We secure your future”. The Code of Conduct reflects Allianz’s commitment to the principles of the United Nations Global Compact, a voluntary initiative based on CEO commitments to implement ten universal sustainability principles in the fields of human rights, labour standards, environmental protection, and anti-corruption.

Allianz Malaysia is committed to upholding its values and the relationships of trust that have been built with all stakeholders. Strong values and principles will ensure that the Group does what is right for all its stakeholders – treating each one with respect, acting with integrity, being transparent, building trust, and taking ownership and responsibility.

 Please refer to www.allianz.com/en/about-us/strategy-values/compliance/verhaltenskodizes.html for detailed information on the Allianz Code of Conduct.

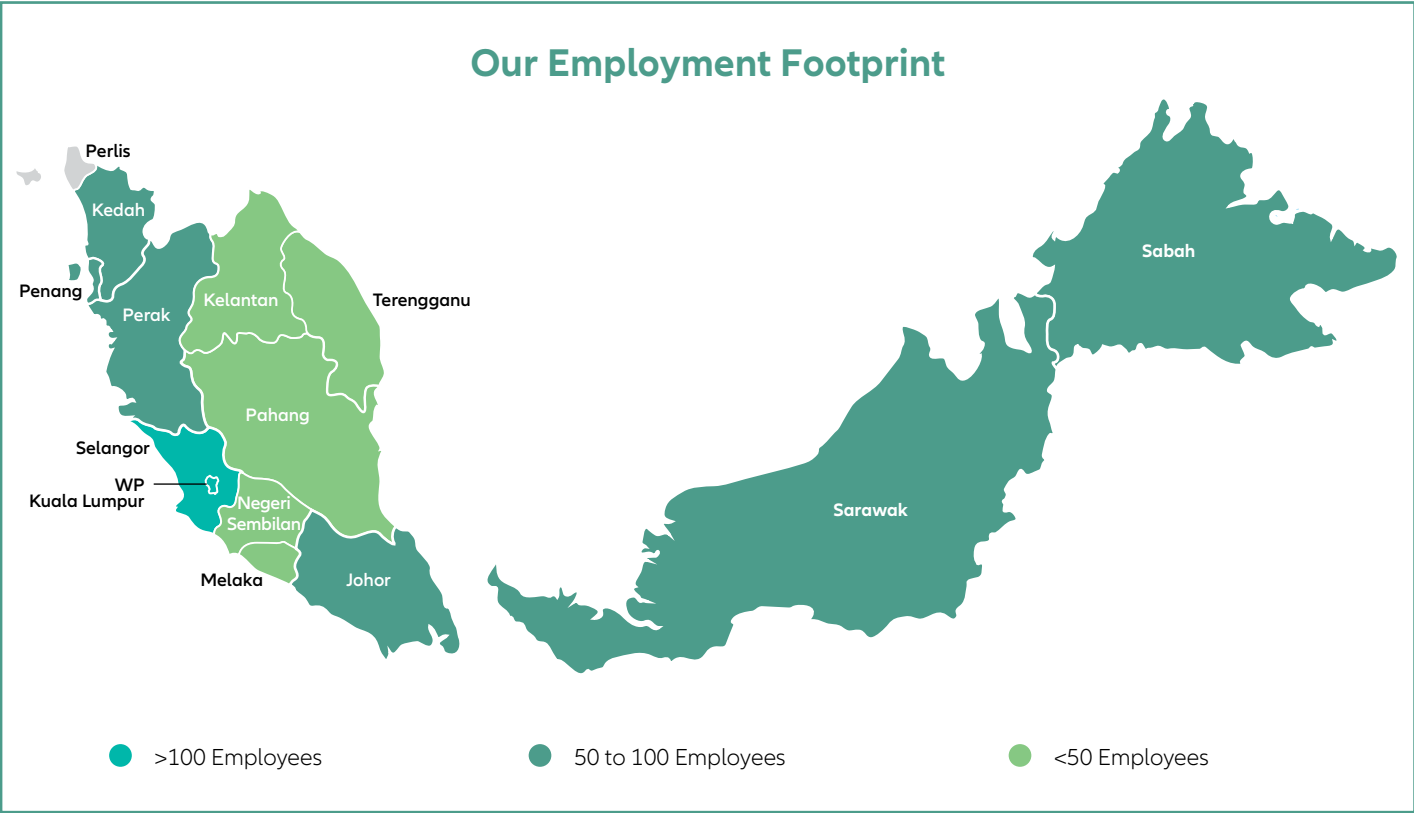
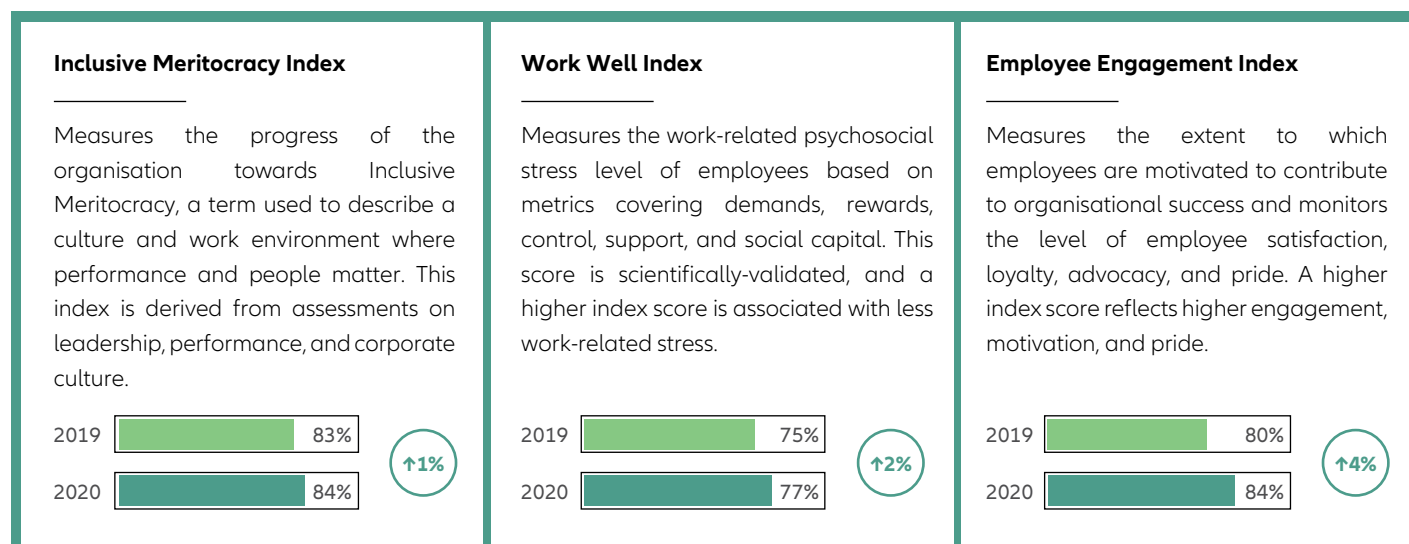


Diagram 6: Our Employment Footprint

Employer of Choice

LISTENING TO OUR EMPLOYEES

The annual Allianz Employee Survey ("AES") gathers feedback from employees to gauge their perspective on Allianz Malaysia's performance as an employer and workplace. 2020 saw a 98% participation rate amongst all employees. A number of internal indices have been set up that track specific questions in the survey in order to monitor progress on priority areas. These are set out below:



Despite the challenging year, Allianz Malaysia saw improvements in all key indices, indicating that efforts to reach out to employees and ensure their interests were taken care of were well received.

WORK WELL AT ALLIANZ

The health and wellbeing of employees has always been a priority for Allianz Malaysia. An Occupational Safety and Health Administration ("OSHA") awareness training module forms part of the Mandatory Annual E-Learning & E-declaration for all employees while a centrally-located OSHA committee oversees the safety and wellbeing of all employees, with larger branch offices establishing their respective OSHA committees.

The COVID-19 pandemic was an unprecedented situation whereby safety precautions required the migration of 94% of the workforce to remote working basis at the peak of government-mandated MCO. Allianz Malaysia's Business Continuity Plan was activated, with a pandemic-specific team convened to ensure efficient decision-making. The pandemic was viewed from an occupational health and safety perspective with the goal of ensuring a safe work environment with minimal risk exposure to employees.

- In May 2020, Allianz Malaysia engaged a doctor as a Medical Advisor and Health Officer to advise on the various aspects of the Group's response. As part of the crisis team, the doctor contributed his expertise to design and develop a health risk management plan for the workplace and assist in the implementation of safety and health rules upon return to office.
- When lockdown regulations were relaxed to allow for greater presence in the workplace, all employees selected to Return-to-Office ("RtO") were required to undergo antibody/antigen rapid testing to minimise the risk of bringing the virus into the workplace. Further, employee presence in the office was capped at 30% of the workforce during the RtO phase, with team rotation enforced.
- Allianz Malaysia adhered strictly to the Ministry of Health's guidelines, putting new Standard Operating Procedures in place and requiring testing and self-quarantining of close contacts and full sanitisation of premises should a COVID-19 positive case be detected. More information on how safety precautions were cascaded to intermediaries and business partners can be found in the **Responsible Business** section.
- Proactive and regular communication with employees was a key element of Allianz Malaysia's approach, including e-mails after pertinent government announcements relating to changes in the MCO and live dialogue sessions with Allianz Malaysia's in-house medical consultant to field questions about medical aspects of COVID-19.

Employer of Choice

Apart from physical safety aspects, the Group was also cognisant of the impact that the pandemic had on psychosocial wellbeing, especially in adjusting to working from home and reduced time in the office. Various work-well initiatives, specially tailored for the different needs of the virtual environment, were rolled out:

- **Mind Happiness Programme from SOLS Health**

Employee assistance programme that provides employees with emotional support from qualified counsellors and clinical psychologists via online video / audio call where needed.

- **Global Mental Health Day**

A full-day programme focused on mental awareness, stress management and relaxation including activities like mindfulness practice, meditation, yoga, mental resilience, and stress management.

- **Building Resilience dialogue conducted via Facebook Live on Allianz Malaysia - Employee Community**

A talk by an experienced consultant, who is a certified clinical psychologist and trained teacher of Mindful Self-Compassion from partner organisation SOLS Health, organised as part of the Mind Happiness Programme. Employees could ask their questions related to mental health after the talk.

- **Peace of Mind Helpline**

Created to offer personalised medical advice by Allianz Partners Doctors to give support to all Allianz employees and ensure a smooth transition back to office.

- **Allianz Home Run challenge via the Adidas Runtastic Training App**

A mobile application packed with work-out videos, plans and nutrition tips. Employees who signed up would receive a three-month premium membership as motivation to stay healthy and active during the MCO.

With employees working remotely for most of the year, colleagues had fewer opportunities to interact with each other. The Allianz Malaysia - Employee Community Facebook page was created as a channel for communication to connect employees at every level during and outside of business hours. Set up in May 2020, it currently has over 1,200 members, approximately 63% of the workforce. This platform allows for open communication, collaboration, and knowledge-sharing beyond geographical boundaries. In 2020, recreational competitions such as the Dalgona Coffee contest and information on exclusive employee programmes and campaigns were communicated through this channel.

These various work-well initiatives have helped to foster a welcoming culture where employees feel they belong. This contributes to a large number of employees staying with the Group

for many years, with an average tenure of twelve years amongst managers, and ten years amongst other employees. Allianz Malaysia also recorded a lower attrition rate of 8.8% in 2020, down from 10.6% in the previous year. In 2020, 150 Loyalty Awards were awarded to long-serving employees that reached certain milestones beginning from a consecutive period of ten years' service and greater.

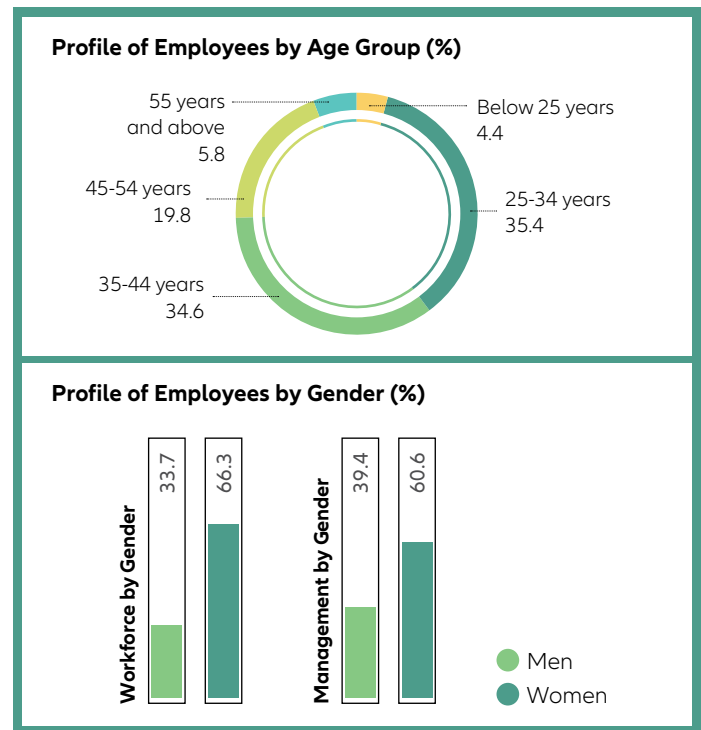


Diagram 7: Diversity at Allianz Malaysia

Allianz Malaysia's hiring and employee development policies reflect principles of non-discrimination, with consistently strong performance in the Inclusive Meritocracy Index demonstrating its commitment to fair treatment and recognition. The Group's workforce represents diversity in age and gender, as illustrated in **Diagram 7**. The Group also supports the inclusion of Persons with Disabilities ("PWDs"), such as through the deployment of assistive technology for the visually-impaired amongst the 22 PWDs in its workforce.

Diversity is also reflected in the composition of the Group's Board of Directors, headed by the Group's first female Chairperson and comprised of Directors of different ages, cultural backgrounds, and from different areas of expertise. The Group recently ranked fourth in overall score in the inaugural Malaysia Board Diversity Index based on a study conducted by the Institute of Corporate Directors Malaysia in collaboration with Willis Towers Watson. The index is based on Malaysia's board diversity landscape as at 31 December 2019.

Employer of Choice

The pandemic accelerated progress towards Allianz's New Work Model - a corporate culture that embraces change and flexibility across four dimensions. These are set out below:

Employees – empowered to adopt a hybrid-virtual work environment without sacrificing productivity.

A bottom-up approach is taken to categorise employees and ensure that they have the right environment to thrive. This also entails reviewing office space requirements and investing in tools needed to support remote working, as detailed in the **Responsible Business** section.

Customers – flexible interaction and faster service to respond to changing customer needs.

Enhanced use of digital technology and diversified channels for communication to meet customer needs when and where they arise, as detailed in the **Responsible Business** section.

Resilience – increased resilience maturity that considers future workforce needs and trends.

Existing job roles will inevitably change, and strategic workforce planning is in place to review current versus future skillsets to meet the changing insurance landscape. This entails working with individual department heads to understand how their department's needs will change in the coming years and how to prepare for that – be it through training, upskilling, or external recruitment.

Organisation and Culture – flatter, faster, and more agile organisation strengthened by continuous learning and right leadership skills.

Efforts to build collaborative leadership and foster a learning mindset are described in more detail in the **Learning and Development** section.

LEARNING AND DEVELOPMENT

Allianz Malaysia promotes a culture of lifelong education by offering multiple modes of learning as well as through sponsorships for employees pursuing further professional development. Despite disruptions to training and development plans in 2020, 616 employees attended at least one training session. Additionally, people leaders in the organisation were engaged in Allianz's global leadership modules. Moving forward, Allianz Malaysia intends to embed e-learning as a regular part of work by encouraging the designation of an hour a week for virtual learning, with the aim of garnering at least 40 learning hours a year.

RM 1.8 million
spent on learning and development in 2020

- Employees are encouraged to obtain professional qualifications, such as the Life Office Management Association ("LOMA") accreditation, various certifications offered by the Malaysian Insurance Institute ("MII"), and Allianz's exclusive in-house technical programme – the Professional Commercial Underwriters Certification ("PCUC"). PCUC graduates are able to fast-track their route towards an Associateship of the MII Level 1.

In 2020,
57 employees
achieved LOMA Awards

23 employees
completed PCUC

- The #lead programme, developed by Allianz, was rolled out to all people managers in 2020 with the aim of building the right leadership skills. The programme consists of digital learning to create alignment on global Allianz initiatives paired with virtual face-to-face module delivery in place of physical workshops. Participants are given a year to complete the required modules, earning them their #lead passport, and must then maintain it by completing 100 hours of learning within two years.

Employer of Choice

- Many conventional classroom training sessions had to migrate to a virtual platform due to travel restrictions as a result of the pandemic. While some programmes had to be postponed, different virtual learning ones were offered during the year, including the Business Development Certification Programme, Technical Certification Programme, PCUC, and #lead. This has led to a reduction in overall training hours, both due to reduced numbers of training sessions and to reduced training hours per session, to accommodate the limitations of virtual learning.

Over 9,860
training hours in 2020, averaging at
5.2 hours
per employee

- Allianz employees are able to access a range of digital learning options via LinkedIn Learning, an on-demand learning tool that employees can access at their convenience. A new e-learning platform, in partnership with Degreed, is also currently in development, to connect learning more closely to talent development.

Allianz Malaysia contributes to local talent development by nurturing the growth of its employees as well as providing opportunities for exposure to working with the wider global network.

- The Allianz Centre of Competence, situated in Kuala Lumpur, provides highly technical underwriting, actuarial, and audit expertise to seven Allianz entities in the region, exposing local talent to a multinational work setting. Allianz's MidCorp Asia Hub is also situated here, providing services in the areas of reinsurance and Midcorp on behalf of Allianz SE Reinsurance Branch Asia Pacific to its clients. This arrangement provides for the transfer of technical expertise and skills to the Hub which comprises mainly local employees.
- As part of their development pathway, high potential talents are given the opportunity to gain international work experience through placements in other Allianz entities. While this

programme was disrupted due to travel restrictions in 2020, once air travel is feasible, it will continue to be an important milestone in preparing employees for leadership roles. Employees are also encouraged to pursue cross-functional development through project assignments involving areas outside their usual job scope, as was undertaken by participants of the recently concluded Young Board Programme 2.0.

- Allianz Malaysia nurtures young talent through hosting structured internship programmes. In 2020, two such programmes were implemented, targeting Actuarial and IT functions respectively. The programmes aimed to recruit young and talented undergraduates into key functions of the organisation while promoting Allianz as an employer of choice.
- Allianz Malaysia also supports talent growth outside of the Group through participation as a corporate partner in the NEXEA Multi Corporate Accelerator and through its NGO Capacity-Building Programme with Ashoka, helping to develop local entrepreneurs and civil society organisations.



Allianz Malaysia has been recognised as an attractive employer by being voted the 2nd runner up in the Insurance category in Malaysia's 100 Leading Graduate Employers Awards 2020. The survey, organised by GTI Media, involved over 25,000 students and graduates from major local universities and universities in the United Kingdom, United States, and Australia. This is the second year that Allianz Malaysia is receiving this award.

Responsible Corporate Citizen

Allianz Malaysia's
operations powered

100%

by Renewable Energy
in 2020

75%

reduction in CO₂ emissions
compared to 2019

RM3.16 million

contributed for
COVID-19 relief

A GLOBAL COMMITMENT TO LIMITING CLIMATE CHANGE

Allianz Malaysia, as part of the Allianz network, is committed to helping deliver the goals of the 2015 Paris Climate Agreement. This entails rapid decarbonisation of the global economy and climate change mitigation actions in order to limit global warming to 1.5°C above pre-industrial times by 2050. Allianz's approach to addressing this is set out in the Allianz Climate Change Strategy.

 Please refer to www.allianz.com/en/sustainability/low-carbon-economy/climate-change/climate-strategy1.html for detailed information on the Allianz Climate Change Strategy.

Allianz's global climate commitments include:

- Founding member of the United Nations-convened Net-Zero Asset Owner Alliance, bringing together the world's largest asset owners to decarbonise investment portfolios to net-zero by 2050. An interim target was announced in 2020, namely a 25% reduction of greenhouse gas emissions contained in selected asset classes in the portfolio of customer funds by 2025, compared to 2019 levels.
- Committed to the Science Based Targets initiative to set long-term climate goals for proprietary investments and business operations.
- Committed through the RE100 initiative to minimise environmental impacts of Allianz's business operations by sourcing 100% renewable energy for its operations.

As part of its commitment to decarbonise its investment portfolio, Allianz stopped investing in predominantly coal-based business models, defined as mining companies that derive 30% or more of their revenues from mining thermal coal or electric utilities deriving 30% or more of their generated electricity from thermal coal. As Allianz Malaysia continues to phase out such investments, it also actively seeks low-carbon investments, such as in the renewable energy sector. Additionally, Allianz does not offer insurance for coal-power plants and aims to fully phase out coal from its insurance portfolio by 2040.

ENVIRONMENTAL MANAGEMENT

In accordance with Allianz's Climate Change Strategy, Allianz Malaysia monitors and also takes steps to reduce carbon emissions in its own operations. Greenhouse gas emissions targets were revised in 2020 in line with Allianz's commitment to the Science Based Targets initiative and to align with a pathway to global warming that does not exceed 1.5°C by the end of the century. Allianz Malaysia contributes towards the achievement of Allianz's overall target - a 30% reduction in greenhouse gas emissions per employee compared to 2019 levels by 2025.

A Local Environment Officer coordinates efforts to manage Allianz Malaysia's environmental footprint, supported by Allianz's Global Environment Team. Environmental data is monitored and reported using the Allianz environmental management system ("EMS"), which has in its scope energy used to operate buildings and IT equipment, business travel, paper usage, water, and waste.

Due to the pandemic and the various MCO, Allianz Malaysia exceeded most of its environmental targets in 2020. While the year's performance is certainly anomalous, it gives an indication of the areas where the Group could promote behaviour change to maintain reductions.

Responsible Corporate Citizen

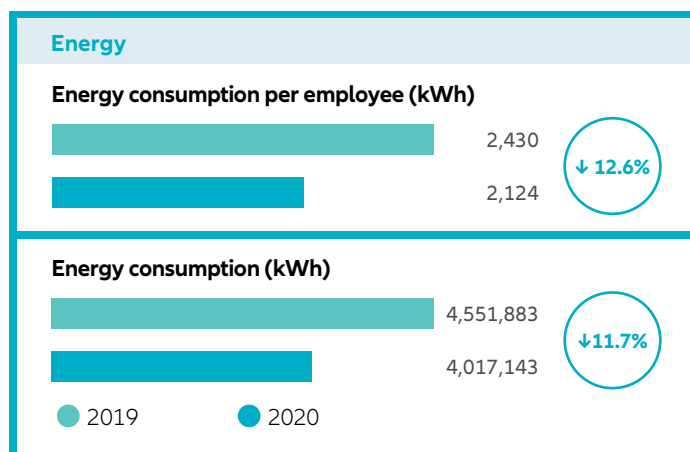


Diagram 8: Total Energy Consumption (kWh) and Energy Consumption (kWh) per Employee

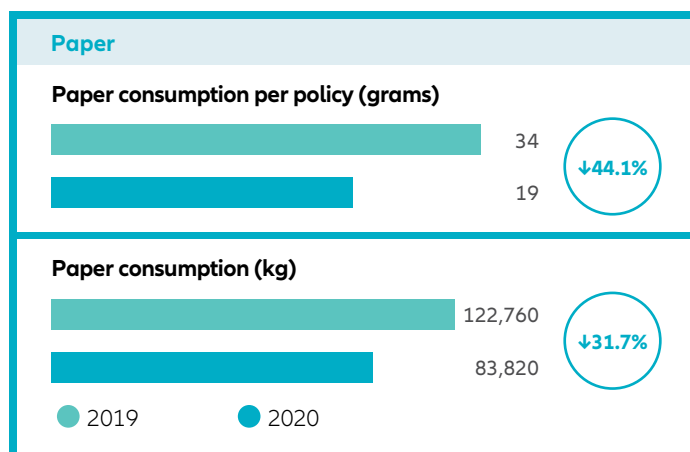


Diagram 9: Total Paper Consumption (kg) and Paper Consumption (grams) per Policy

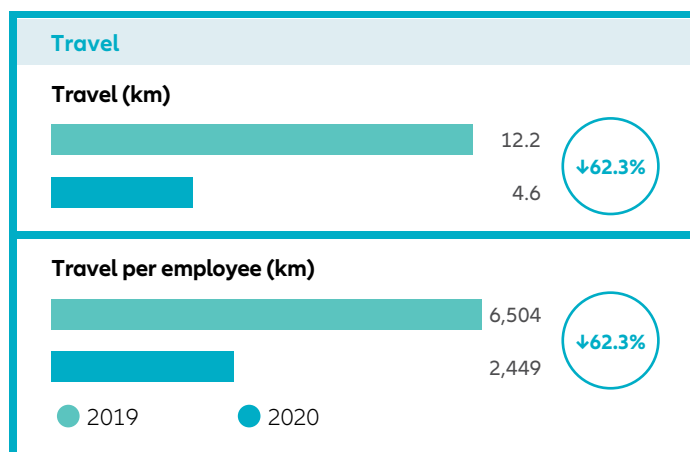


Diagram 10: Travel (km) and Travel (km) per Employee

ENERGY

The sharp decrease in energy consumption can be attributed to reduced staff presence in the office during the MCO period. At its peak, only 6% of employees remained working in the head office, while branch offices in red and yellow zones were closed. Subsequently, a significant number of employees continued working from home with increased adoption of the New Work Model, as discussed in the **Employer of Choice** section. Employees' energy consumption while working from home is currently excluded.

Figures from 2019 have been revised to broaden the monitoring scope, which now includes energy consumption from Allianz Malaysia's data centres. This amounted to an addition of approximately 500,000 kWh to previous energy consumption figures. Allianz Malaysia strives to reduce this amount through periodic refreshing of older storage technologies to be replaced with more energy-efficient solutions. The Group also expects that the use of cloud-based solutions will lead to more efficient energy use as server space will only be purchased as required, thus minimising excess.

PAPER

Allianz Malaysia's reduction in paper consumption can be attributed to reduced staff presence in Allianz offices as well as the closing of branch offices, intermediaries', and business partners' premises during the MCO leading to less printed forms and marketing materials used. This was also a result of digitalisation initiatives whereby various documents – policies, endorsements, and renewal notices – are issued electronically.

TRAVEL

Worldwide travel restrictions and local MCO severely hampered business travel, which was entirely prohibited for non-essential workers at the height of the lockdown. To cater to physical distancing requirements, employees were encouraged to conduct their business engagements virtually. Necessity led to innovation - for example, it is now possible to remotely initiate activities in the data centre when activating backups when previously employees would have to be physically present at the off-site location. Employee training, workshops, and meetings also migrated online, facilitated by investments into virtual conferencing technology. As virtual engagements become normalised, Allianz Malaysia expects to see sustained reductions in business travel.

Responsible Corporate Citizen

Allianz Malaysia has had electric vehicles (“EVs”) as part of its company vehicle fleet since 2016. In 2020, two new Nissan Leafs were welcomed to the fleet, in place of the first three EVs. These new vehicles are able to travel up to 290 km in a single charge, enabling them to be used for longer journeys.

With Allianz Malaysia procuring 100% of its electricity from renewable sources, the EVs are leading the charge in the Group’s journey to decarbonisation.



The new electric vehicles in Allianz Malaysia’s fleet are capable of longer-distance journeys

Water

Water consumption per employee (m³)



Water consumption (m³)

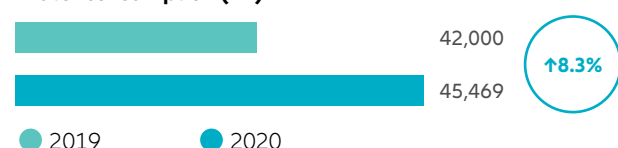


Diagram 11: Total Water Consumption (m³) and Water Consumption (m³) per Employee

WATER

Allianz Malaysia’s water consumption in 2020 increased despite reduced staff presence over the year. This was attributed to water pipe leakages and water meter malfunction detected at eight branch locations. The water consumption figures for 2019 were also revised to include the consumption at head office buildings, previously out of scope as the amount is consolidated into building maintenance charges and not available on individual billing basis. Consumption at the head office has been extrapolated based on the total office floor area for completeness of data. With this addition, water consumption figures are more than double the previous figure, indicating that greater efforts need to be made in this area. Allianz Malaysia is currently exploring a number of modifications that aim to reduce water consumption.

Responsible Corporate Citizen

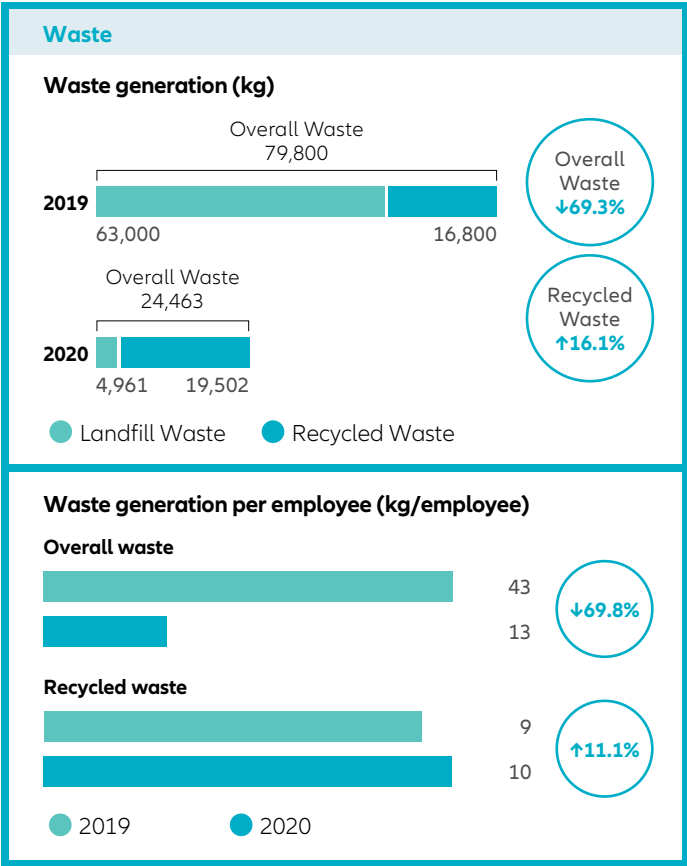


Diagram 12: Total Waste Generation (kg) and Waste Generation (kg) per Employee

WASTE

Significant reduction in waste generation was recorded, attributable to the reduced staff presence due to the MCO. At the same time, the amount of waste recycled increased as documents were sent for secure shredding and recycling as part of office relocation and scheduled document disposal. Allianz Malaysia has also revised its waste calculation methodology to more accurately reflect consumption patterns based on recent historical data. This has also contributed to a reduction in the overall waste consumption figure, and is thus not directly comparable to the 2019 figures.

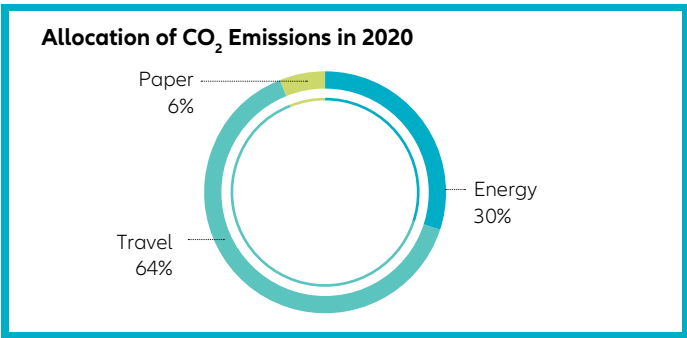
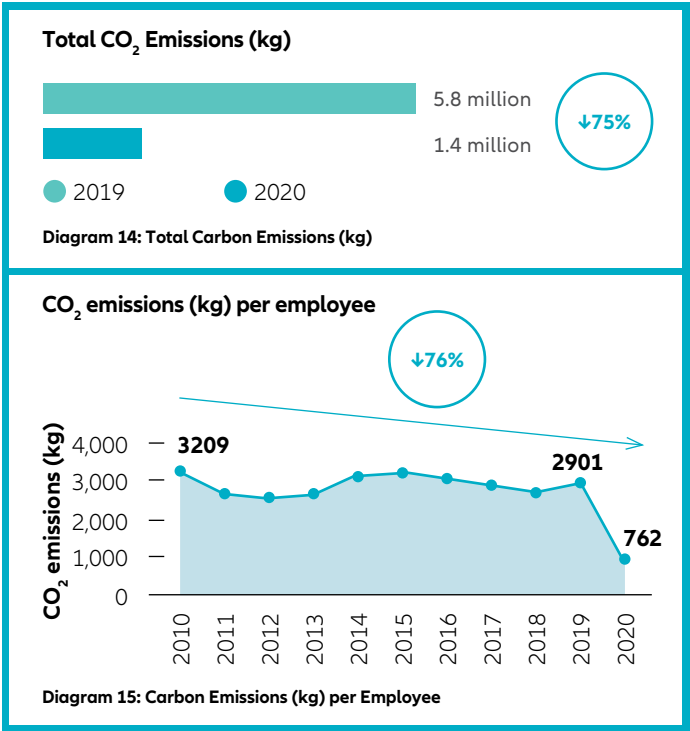


Diagram 13: Allocation of Carbon Emissions



CARBON EMISSIONS

Allianz Malaysia recorded a drastic reduction in CO₂ emissions in 2020, amounting to a 75% decrease from 2019 levels. This was partly due to the reduced workforce in the office and travel restrictions for the better part of 2020 resulting from government-mandated MCO. Additionally, through the purchase of i-Renewable Energy Certificates (i-RECs) from national energy producer Tenaga Nasional Berhad, Allianz Malaysia achieved its RE100 target of 100% of operations powered using renewable energy - 2 years ahead of plan. The Group has secured allocations of i-RECs up until 2023 and expects to also see some CO₂ emission reduction maintained as Allianz embraces a hybrid work culture that is more attuned to the virtual workplace.

In 2021, Allianz Life will install solar panels in one of its branch offices, reducing reliance on energy from the national grid.

Part of Allianz Malaysia's efforts in carbon reduction entails building awareness and advocating behaviour change. In conjunction with World Cleanup Day, the largest civic action against waste, three online sharing sessions were organised throughout the month of September 2020 for Allianz Malaysia employees, covering the topics of digital waste, living a zero waste lifestyle, and local solutions to waste problems.

Responsible Corporate Citizen

COMMUNITY DEVELOPMENT

Allianz Malaysia's effort towards community development is managed by its corporate responsibility arm, Allianz4Good. The Group's corporate responsibility strategy is shaped around impact-driven philanthropy as well as the incorporation of employee engagement, such as through volunteering opportunities.

The outbreak of the COVID-19 pandemic in early 2020 posed various disruptions and hampered Allianz4Good's efforts to deliver its planned corporate responsibility programmes and initiatives. Instead, priorities shifted and funds were channelled towards emergency relief initiatives supporting frontline workers as well as marginalised communities. Where possible, activities under Allianz4Good's usual ambit were adapted to be carried out virtually.

RAISING AWARENESS FOR A SUSTAINABLE FUTURE

Part of Allianz Malaysia's efforts in social inclusion involves encouraging next generations to build a resilient and sustainable future. This is driven through knowledge-sharing and building awareness of topics related to safety, financial literacy, civic responsibility, and the environment. The Group was able to carry out only a handful of activities before having to move its activities to a digital platform.

Road Safety

Since 2011, Allianz Malaysia has collaborated with Jabatan Keselamatan Jalan Raya (JKJR) to advocate for safe road behaviour. In 2020, three road safety advocacy campaigns were conducted in conjunction with the Chinese New Year festive season. These were held in Penang, Kuala Lumpur, and Kuantan.

Besides advocating road safety amongst current road users, good road behaviour is also inculcated from a young age. Allianz Malaysia's education efforts target primary school-aged children, in the hopes they become a positive influence in their families.

The Group conducted three sessions of its interactive road safety education programme in two schools, where children were guided through a miniature road circuit by employee volunteers. By completing the circuit, they learn how to cross safely at a zebra crossing, how to read traffic lights, the proper way to wear a helmet, and how to buckle a seatbelt, including whether or not they need to use a child seat.

Subsequent planned road safety campaigns and programmes were cancelled due to MCO and physical distancing precautions.



Road Safety Advocacy Campaigns are an opportunity to engage motorists to promote safe road behaviour



Employee volunteers teach students about the proper way to wear a helmet, amongst other road safety topics

Responsible Corporate Citizen

During the MCO period, when schools were closed, Allianz Malaysia organised a number of knowledge-sharing sessions for employees' children. This helped to give parents respite from home schooling and aimed to engage their children's interest in the respective topics.

- In a session on financial literacy, children learned about differentiating between needs and wants, recognising tools used in advertisements, and about the different buying criteria that influence consumers' decision-making. Use of an interactive quiz application helped to simulate the classroom environment and create a sense of competition.
- An online story-telling session based on the storybook 'Leaf' approached the topics of environmental stewardship and climate change in an engaging way. In this interactive session where children could ask the narrator questions, the children learned the importance of caring for the planet and everything that lives in it.

Allianz Malaysia believes that unity lies at the core of a resilient society. It has partnered with cultural organisation PUSAKA on Projek Bina Bangsa, a public education project that aims to build a historical understanding of the country in order to build social cohesion. A series of ten books exploring the foundation of the nation will be released as part of this initiative, including engagements with all walks of society once physical distancing restrictions allow. This project is an extension of the Group's previous initiatives in support of national unity.

 Find out more about Projek Bina Bangsa on their website, <https://projekbinabangsa.com/>

//

It is important that corporates, such as Allianz Malaysia, play an active role in advocating diversity, unity, and inclusivity in our engagements and initiatives. It is with a full heart that we hope that the shared appreciation and love of history be our guide towards progress and unity.

//

– Zakri Khir

The underlying principle of insurance is to serve as an equalising force by pooling the resources of the many to overcome the misfortunes of the few. Similarly, Allianz Malaysia sees its corporate responsibility as a means of equalising the opportunities of the marginalised and underrepresented. The Group works alongside community partners to drive social inclusion and impact-driven engagements with beneficiary groups identified as underserved, such as PWDs, indigenous communities, refugees, and the B40 segment.

Allianz Malaysia promotes inclusion through its support for NGOs serving marginalised communities backgrounds.

- Contribution to the Malaysian Council for Rehabilitation ("MCR") to support the preparation of the Malaysian contingent to the 10th International Abilympics, a skill-based competition for PWDs, which will be held in Russia in 2021. The contribution also goes towards supporting the MCR in their efforts to increase awareness of the various abilities of PWDs and their potential to contribute to society and the economy at large.



Winners of the national Abilympics competition are selected to represent Malaysia at the International Abilympics competition

- Sponsorship of Persatuan Mobiliti Selangor dan Kuala Lumpur ("MOBILITI"), an NGO providing transportation services for wheelchair-bound PWDs within the Klang Valley. The sponsorship covers their operational expenses which include the maintenance of four of their vans, fuel, toll costs, and staff salaries; as well as comprehensive motor insurance coverage and Enhanced Road Warrior services.
- Allianz Malaysia continues its support for Pertubuhan Tindakan Wanita Islam ("PERTIWI") by sponsoring the yearly maintenance of their Navara pickup truck, which the Group donated to PERTIWI Health Services in 2017. The truck serves as a mobile clinic for use by their team of volunteer doctors to address medical concerns faced by the homeless and urban poor community.

Responsible Corporate Citizen

COVID-19 EMERGENCY RELIEF RESPONSE

As part of Allianz Malaysia's COVID-19 emergency relief response, over RM3.16 million was utilised to supply frontline workers with Personal Protective Equipment ("PPE"), medical equipment, and items to increase ward capacities in hospitals, as well as to contribute essential provisions and hygiene items to underserved communities that were financially constrained due to the overall economic slowdown.

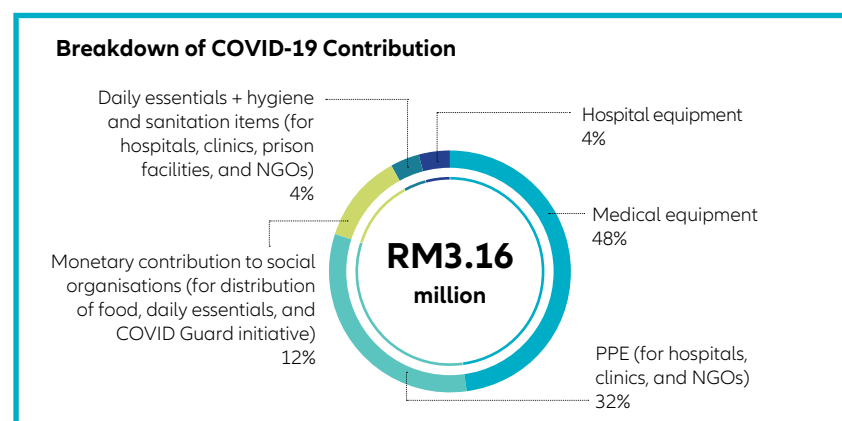


Diagram 16: Breakdown of COVID-19 Contribution

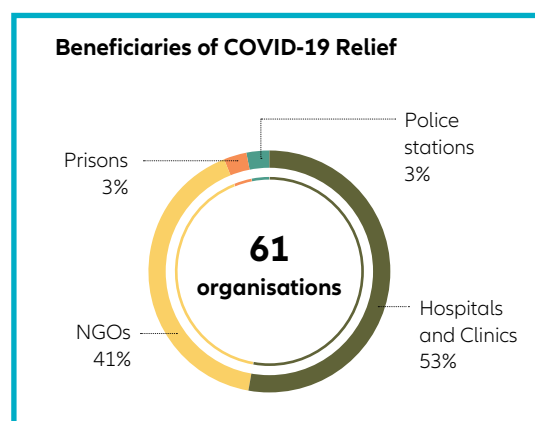
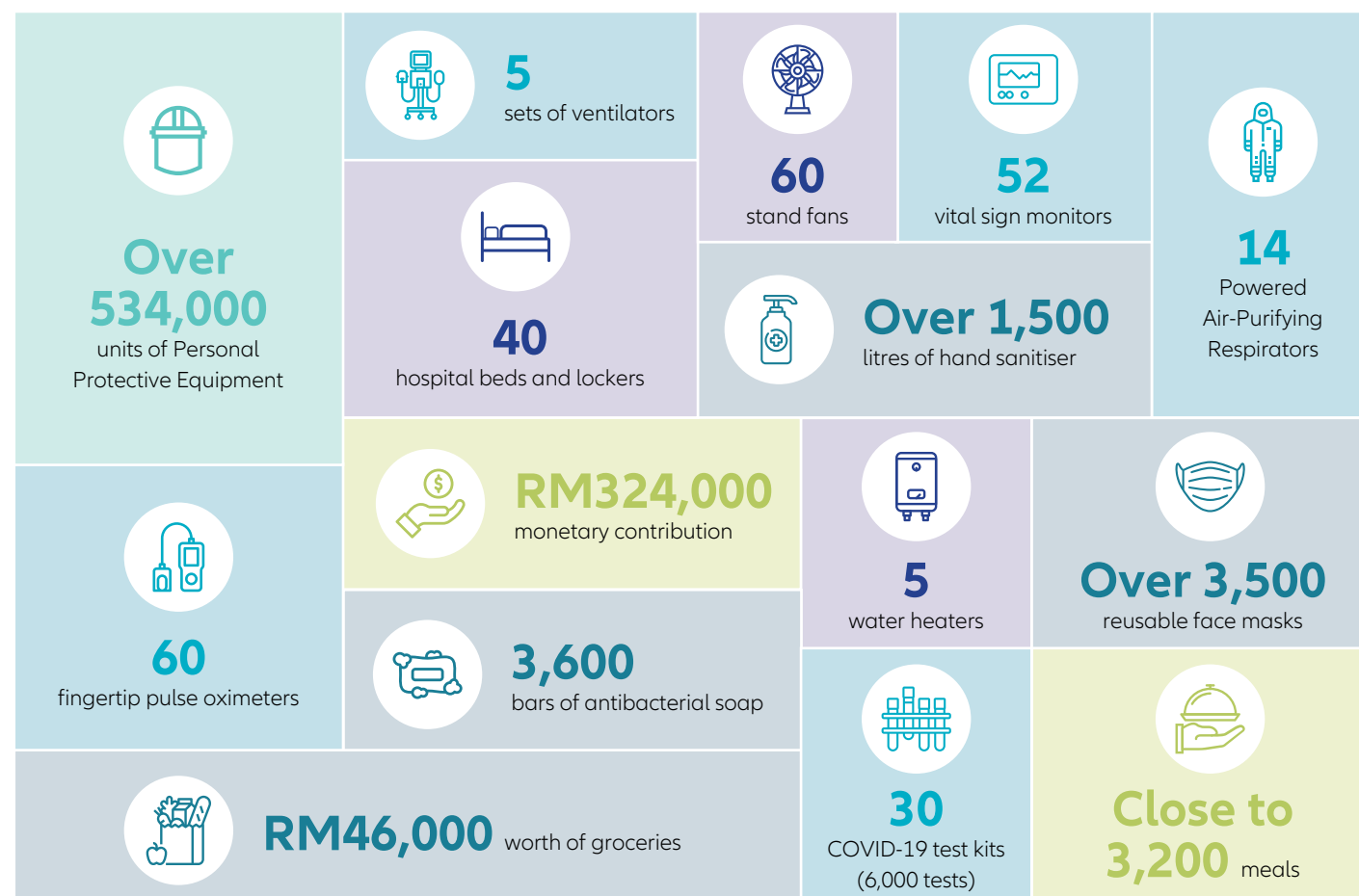


Diagram 17: Breakdown of Types of Beneficiaries of COVID-19 Relief

Allianz Malaysia's COVID-19 contributions include:



Responsible Corporate Citizen

Allianz Malaysia also worked with partner organisations to reach their established networks of beneficiaries, especially those located in more remote areas, by providing monetary support for their initiatives. Over RM324,000 in direct monetary support was given.

Organisation	Initiative Funded
Save Environment Save Ourselves (SESO)	Food and hygiene pack distribution for homeless communities and homes in the Klang Valley
Persatuan Pendidikan Kanak-Kanak Matakana Sabah ("Matakana")	Food pack distribution to vulnerable families of students from Matakana's eleven schools located in West Sabah, reaching approximately 2,000 beneficiaries
MERCY Malaysia	1,000 food packs distributed in 24 locations in Lahad Datu, Tawau, and Kunak
Cahaya Society	Food pack distribution to 1,211 people in 26 locations across Sandakan
Borneo Komrad (Pertubuhan Kebajikan Anak Impian Malaysia)	640 food packs distributed to 160 families from 7 villages in Semporna, Sabah over the course of a month (1 pack per week for 4 weeks)
Malaysia International Search and Rescue (MISAR)	COVID Guard initiative to equip 50 schools nationwide with sanitation spray equipment and contactless thermometers, estimated to reach over 19,800 students

Allianz Malaysia took the opportunity to support NGOs and social enterprises while responding to the COVID-19 pandemic, thus supporting the livelihoods of individuals working there:

- Engaged KLOTH Malaysia and Sew x Dignity to produce reusable masks for employees and community beneficiaries. Tailors from both organisations come from low-income backgrounds.
- Ordered lunch packs from four social organisations – deliCCia, Autism Café Project, Buku Jalanan Chow Kit, and PichaEats – for distribution to 150 beneficiaries in three organisations – The Ronald McDonald House, Seeds Foundation, and Anjung Singgah. Lunch packs were delivered once a week over a two month period.
- Supported PichaEats' meal distribution initiative – The Zaza Movement, distributing 1,596 meals to four locations covering low-income households and frontline medical workers.



Reusable masks sewn by Sew x Dignity were given to Matakana for distribution to underprivileged students



Allianz Malaysia sponsored food packs that were prepared by refugee communities and distributed by PichaEats to medical frontliners

Responsible Corporate Citizen

Apart from its own initiatives, Allianz Malaysia collaborated with its partners to offer immediate support when the pandemic first began to affect the nation.

- Allianz Malaysia partnered with community platform Kitajagakita and digital partner Speedhome to offer emergency relief to frontline medical workers by sponsoring one month's accommodation for six out-of-state doctors who had to relocate from their resident hospitals to COVID-19 centres in Klang Valley.
- In partnership with the Malaysian Medical Association, Allianz Malaysia offered free COVID-19 coverage for 700-800 doctors who recently completed their housemanship, along with retired doctors who were recruited as frontliners in handling the pandemic.
- The Group contributed to a joint RM8 million COVID-19 test fund set up by the insurance and takaful industry as members of the Life Insurance Association of Malaysia (LIAM) and Persatuan Insurans Am Malaysia (PIAM) respectively. The fund was used to reimburse the COVID-19 testing costs for insurance policyholders and takaful certificate holders, thereby supporting the Ministry of Health's efforts to increase national testing rates.



- 1 Powered Air Purifying Respirators contributed to Hospital Queen Elizabeth
- 2 Hospital beds and water heater units contributed to Hospital Sungai Buloh
- 3 Personal Protective Equipment contributed to the Sabah State Health Department
- 4 Personal Protective Equipment for Hospital Labis, Johor
- 5 Vital Sign Monitor units contributed to Hospital Kota Belud, Sabah
- 6 Groceries and hygiene items for Shalom Education Centre



Contribution by Allianz Life Agents

Allianz Life launched a donation appeal amongst its agents, raising RM250,000 for the purchase and distribution of PPE to frontliners in five hospitals.

Numerous agencies also took their own initiative to contribute to medical facilities and needy communities.

Responsible Corporate Citizen

DISASTER RELIEF AND PREPAREDNESS

Flooding has unfortunately become an annual occurrence; the impacts of which are anticipated to worsen as the pace of climate change continues to accelerate. Allianz Malaysia worked together with long-time partner Malaysia International Search and Rescue ("MISAR") to carry out disaster relief efforts in response to heavy flooding towards the end of 2020.

Allianz Malaysia contributed RM116,000 to support the distribution of food and essential items to relief centres and affected communities by MISAR's trained officers. The Group also diverted resources from marketing events to support this initiative, thus the allocation of over 4,800 litres of drinking water for distribution to the community. This initiative reached eight locations across five states, namely Negeri Sembilan, Selangor, Melaka, Pahang, and Perak.



MISAR officers distributed essential items to beneficiaries in flood-affected communities

Items distributed:

- | | |
|------------------|----------------------|
| ✓ Dry food | ✓ Plastic bags |
| ✓ Drinking water | ✓ Face masks |
| ✓ Floor mats | ✓ Sanitary pads |
| ✓ Indoor tents | ✓ Hygiene kits |
| ✓ Baby diapers | ✓ Hand sanitiser |
| ✓ Slippers | ✓ Soap |
| ✓ Towels | ✓ Handheld scanners |
| ✓ Flat sheets | (for relief centres) |
| ✓ Pails | |

Prior to the floods, virtual Flood Preparedness workshops were held for 120 Allianz General agents living in flood-prone states, to share insights and tips on how to prepare for a disaster. This included topics such as how to identify environmental hazards and how to prepare an emergency bag containing essential items for victims to survive through the first three days of a disaster. This knowledge-sharing session aimed to prepare agents for a flood situation and equip them with information that they could share with their friends, family, and customers as well.

BUILDING CAPACITY & EMPOWERMENT

Throughout its years of community support, Allianz Malaysia found that it could multiply and sustain the impact of its initiatives by empowering beneficiaries to help themselves. Initiatives to 'help the helpers' were embarked upon in an effort to build the capacity of civil society that work directly with underserved communities.

In September 2019, Allianz Malaysia collaborated with Ashoka - a global network of social entrepreneurs pursuing system-change solutions to address societal issues - to roll out its pilot Capacity-Building Programme. The programme aimed to enhance the organisational capacity and sustainability of participating social organisations and create systemic change to benefit their respective causes.

Seven Allianz Malaysia employees were engaged as mentors for the organisations to contribute their perspectives and help develop innovative solutions to the challenges they faced.

7

Allianz Malaysia employees engaged as mentors

4

participating social organisations

Gem & Bread Special Needs
Support Group
Kuala Lumpur and Selangor

Persatuan Mobiliti Selangor
dan Kuala Lumpur

Havan Clothing

deliCCia

The organisations' beneficiaries include Persons with Disabilities, shelter-home children, and B40 families.

Responsible Corporate Citizen

The eight-month programme culminated with an e-summit in July 2020, where the social organisations and mentors showcased their journey together as well as the creative solutions conceived through their collaboration.

At the end of the programme, participants reported:

- increased confidence in leadership and attracting talent to the organisation
- a clearer understanding of their purpose and vision within their respective ecosystems
- enhanced problem-solving abilities and productivity levels
- the ability to look beyond conventional fundraising methods and to explore new strategies



Participants of the Capacity-Building Programme attended in-person workshops at the beginning of the programme but ended with a virtual summit due to the MCO



Empowerment is a journey, and it requires planning and actions. We were glad to have a mentor to review our milestones and journey with us as we strive to empower the women behind us!



– Icy Lee, Co-Founder of deliCCia



The capacity-building programme was extremely helpful for me as I started the NGO when I was very young and inexperienced. I managed to get a greater outlook on the foundations of running an NGO and for that I am extremely grateful.



– Sharanya Radhakrishnan, Co-Founder of Gem & Bread

Gem & Bread is one of twelve recipients of Allianz's Social Innovation Fund 2019, a global initiative with the aim of enabling best-practice-exchange and the creation of local lighthouse projects in social inclusion.

A €20,000 grant was awarded to Gem & Bread to fund the development of a Creative Arts Toolkit for job centres and other potential employment providers to support inclusion of youth with special needs in the workplace.

Allianz Malaysia also offers continuous support to community partners through its policy of prioritising social organisations for its catering and procurement needs. This allows the organisations to generate funding, which is then channelled back towards their operations as well as their support for the beneficiaries they serve.

Annually, a festive bazaar is held to provide community partners with a platform to promote their products to employees while raising awareness of the cause that they are championing. In light of the 'new-normal', the bazaar migrated online and the organisations were provided with an opportunity to carry out their sharing and e-commerce sessions on the Allianz Malaysia – Employee Community Facebook page. The inaugural e-Bazaar saw the participation of 15 NGOs and social enterprises.

Responsible Corporate Citizen

SPONSORING EDUCATION

In 2020, Allianz Malaysia renewed its sponsorship for Science of Life 24/7 ("SOLS 24/7")'s Academy of Innovation ("SOLS.ai") programme for the third consecutive year. This covers tuition and living expenses for 35 out of 75 students in the 2020/2021 cohort, made up of young people from underserved communities encompassing low-income groups and indigenous families.

The 18-month education programme includes a work experience phase, and aims to improve the students' English competency and equip them with knowledge and skills to enhance their employability. They are prepared for career pathways in education, the solar industry, and hardware refurbishment, amongst others.

Due to the MCO, instead of being housed centrally at SOLS.ai in Segambut, two remote academy centres were set up in Kelantan, where two of SOLS.ai's indigenous teachers continued to teach.

2020/2021 cohort

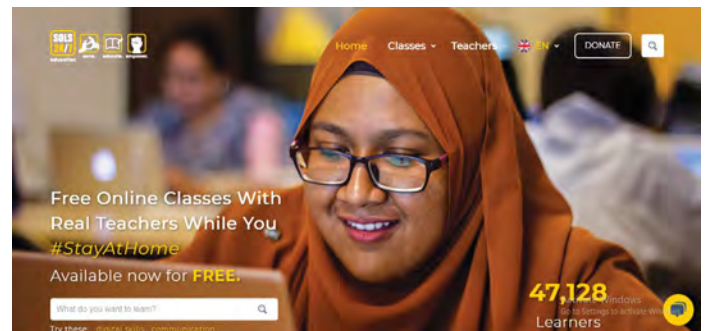
- **54 students** completed the assessment for Foundation English for Youth (Level 1)
- **38 students** completed Digital Skills modules
- **35 students** completed certification for the Prince's Trust International Award 'Planning for Personal Development' and 'Community Project' modules

Allianz Malaysia had sponsored 33 out of 69 students from the 2019/2020 cohort, who were due to complete their programme in mid-2020. However, due to the pandemic the programme was temporarily put on hold as students returned to their respective hometowns during the MCO. Learning has continued, albeit remotely and at a slower pace, for those with access to the internet. This group of students is expected to complete the programme by June 2021, followed by participation in workshops to prepare for job matching and a three-month internship programme.

As part of the SOLS.ai engagement, Allianz Malaysia employee volunteers, including CEO Joseph Gross, carried out knowledge-sharing sessions with the students to equip them with soft skills relevant for the working world.



As an immediate response to the MCO, where schooling was halted for many students, SOLS 24/7 launched the rollout of free classes on the SOLS Online Education Platform, partially funded by Allianz Malaysia. This platform is open to the public, but promotion of the platform specifically targeted B40 households. Classes are run in real-time by experienced educators and class sizes are limited to ensure sufficient interaction between students and teachers.



The SOLS Online Education Platform provided free teacher-led classes targeting B40 learners

Between October 2020 - January 2021 on the SOLS Online Education Platform:

2,061
learners
enrolled

829
class
attendees

56
classes
offered

Responsible Corporate Citizen

CULTIVATING A CULTURE OF GIVING BACK

Allianz Malaysia strives to build a culture of caring and giving back. While regular volunteering initiatives were hampered due to physical distancing requirements necessitated by the pandemic, the Group's employees continued to provide their support for those in need through other ways.

- 112 employees, agents, business partners, and customers participated in Allianz Malaysia's annual blood donation drive held in conjunction with Malaysia Day. This year, in adhering with safe distancing rules, employees were encouraged and given time off from work to donate blood at their local blood donation facility.



Employees were encouraged to donate blood at their closest blood donation centres in the month of September

- Allianz Malaysia continued its yearly tradition in conjunction with Hari Raya of contributing festive goodies to underserved communities. Instead of the usual call for in-kind donations, a digital fund collection was initiated so employees could send in their contributions virtually. The funds collected from employees plus an allocation from the Group were used to support ten non-profit organisations across the Klang Valley, reaching 1,835 beneficiaries. This included the purchase of daily necessities, festive goodies, and also covered the rental costs for one organisation.



Daily essential items contributed to underserved communities in conjunction with the Hari Raya celebration

- To provide some year-end cheer, Allianz Malaysia initiated a gift-giving initiative where employees were invited to send gifts to 240 children and elderly persons from five non-profit organisations. These gifts were requested by the recipients, and employees could select which they would like to support by buying and sending the gift directly to them.





BE TRUE TO WHO YOU ARE

Our products are designed to protect people, their assets and lives. We are a customer-focused organisation that is driven by values such as Customer Focus, Integrity, High-Performance Culture, Open Communication and Corporate Responsibility. We understand that the future isn't always as expected. That is why we predict risks today, to give you confidence for tomorrow, so that you can be true to who you are now.

Board of Directors' Profile

As at 12 April 2021

1

CHAIRMAN - INDEPENDENT NON-EXECUTIVE DIRECTOR

Malaysian
Age 73
Female

Date of Appointment
23 November 2012

Length of Service
8 years 4 months

Date of Last Re-election
30 May 2019



TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Working Experience

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

Tan Sri Datuk (Dr.) Rafiah's international experience includes holding the position of Assistant Secretary General for Human Resource Management, United Nations, New York, from 1997 to 2002 and was the first Malaysian to be appointed to such a high ranking post in the United Nations system. From 2003 to 2006, she was the Executive Director of the International Centre for Leadership in Finance, now known as The ICLIF Leadership And Governance Centre. In 2006, she was appointed as the Vice-Chancellor/President of the University of Malaya. She was the Executive Director of NAM Institute for the Empowerment of Women from 2009 to 2013.

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

Membership of Board Committee

- Member of Audit Committee
- Member of Nomination and Remuneration Committee

Qualifications

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

Present Directorships

Listed entities:

- Chairman of Allianz Malaysia Berhad ("AMB" or "Company")
- Chairman of Malaysian Genomics Resource Centre Berhad
- Lotte Chemical Titan Holding Berhad
- Minda Global Berhad

Other public company:

- Chairman of Allianz General Insurance Company (Malaysia) Berhad ("Allianz General")

Other Information

Tan Sri Datuk (Dr.) Rafiah does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Board of Directors' Profile

As at 12 April 2021

INDEPENDENT NON-EXECUTIVE DIRECTOR

2

Malaysian Age 63 Male	Date of Appointment 1 July 2020	Length of Service 9 months	Date of Last Re-election Nil
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GOH CHING YIN

Working Experience

Goh Ching Yin holds an MBA from the Cranfield University, and has held various leadership and management positions in capital market strategy, development and regulations; investment banking, regional business development, strategic consultancy, corporate recovery and insolvency; and auditing. He started his professional career with Peat Marwick Mitchell (now known as KPMG PLT), and then moved on to consultancy at Price Waterhouse Associates in 1990.

Goh Ching Yin commenced his foray into the investment banking industry when he was with RHB Sakura Merchant Bankers Berhad as a General Manager for Corporate Finance from 1995 to 2000. Subsequently, he assumed the roles as the Managing Director of Corporate Finance with the BNP Paribas Group in Malaysia from 2000 to 2004, and as Chief Executive Officer of Southern Investment Bank of the Southern Bank Group from 2005 to 2007. He then held positions as Executive Director in the Chairman's Office, Strategy and Development, and Market Oversight Divisions during his stint with the Securities Commission of Malaysia from 2007 to 2016.

At the Securities Commission of Malaysia, Goh Ching Yin had led projects on landmark initiatives such as financial technology, sustainability and inclusiveness, Trans Pacific Partnership Agreement, the Capital Market Masterplan 2, the Corporate Governance Blueprint and Code of Corporate Governance 2012,

and setting up the Audit Oversight Board in 2010 of which he was a founding Board Member. He was also the Head of the Continuing Professional Education Advisory Group and represented the Securities Commission of Malaysia on the Audit Licensing Committee within the Accountant General's office of the Ministry of Finance, and was a member of the Cluster Working Group on Funding Support for the Biotechnology Industry under the Malaysian Biotechnology Corporation (a Ministry of Finance incorporated company).

He was also a member of the National Cyber Security Advisory Committee, Ministry of Science, Technology and Innovation Malaysia, and the Intellectual Capital Development Committee, Innovation Agency Malaysia.

Goh Ching Yin was appointed by the Government of Malaysia as a Director of Khazanah Nasional Berhad in July 2018.

Present Directorships

Listed entities:

- AMB
- Shangri-La Hotels (Malaysia) Berhad

Other public companies:

- Chairman of Allianz Life Insurance Malaysia Berhad ("Allianz Life")
- Maybank Investment Bank Berhad
- Maybank Asset Management Group Berhad
- Khazanah Nasional Berhad

Membership of Board Committee

- Member of Audit Committee
- Member of Risk Management Committee
- Member of Nomination and Remuneration Committee

Qualification

- Master of Business Administration from Cranfield School of Management, Cranfield University

Other Information

Goh Ching Yin does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Board of Directors' Profile

As at 12 April 2021

INDEPENDENT NON-EXECUTIVE DIRECTOR

3

Malaysian
Age 38
Male

Date of Appointment
28 November 2014

Length of Service
6 years 4 months

Date of Last Re-election
30 June 2020



TUNKU ZAIN AL-'ABIDIN IBNI TUANKU MUHRIZ

Working Experience

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

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

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

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

Present Directorships

Listed entities:

- AMB
- Omesti Berhad

Other public companies:

- Allianz General
- IDEAS Policy Research Berhad
- Institute for Democracy and Economic Affairs Berhad

Membership of Board Committee

- Chairman of Nomination and Remuneration Committee

Qualifications

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

Other Information

Tunku Zain does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Board of Directors' Profile

As at 12 April 2021

INDEPENDENT NON-EXECUTIVE DIRECTOR

4

Malaysian
Age 61
MaleDate of Appointment
1 October 2019Length of Service
1 year 6 monthsDate of Last Re-election
30 June 2020**PETER
HO KOK WAI****Working Experience**

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

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

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

Present Directorships

Listed entities:

- AMB
- Hong Leong Industries Berhad
- Hong Leong Capital Berhad
- Guocoland (Malaysia) Berhad
- HPMT Holdings Berhad

Other public company:

- Allianz Life

Membership of Board Committee

- Chairman of Audit Committee
- Member of Risk Management Committee

Qualifications

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

Other Information

Peter Ho Kok Wai does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Board of Directors' Profile

As at 12 April 2021

INDEPENDENT NON-EXECUTIVE DIRECTOR

5

Malaysian
Age 50
Male

Date of Appointment
1 January 2021

Length of Service
3 months

Date of Last Re-election
Nil



GERARD LIM KIM MENG

Working Experience

Gerard Lim has over 28 years' experience in the Technology, Media and Telecommunications sector. He has a proven track record in leading and building value for positive societal impact by bringing together a unique blend of experiences involving entrepreneurship in start-ups, to turnaround management, growing sustainable businesses into multi-million dollar ventures, by delivering digital solutions for some of the world's largest corporations and even serving within the Malaysian Government's machinery via its agency, statutory body and government linked companies.

Gerard Lim has implemented specialised solutions in interactive digital media, E-business solutions, converged IP communications, digital marketing, e- and m-commerce, mobile applications, social media, cloud and edge computing, internet of things, big data analytics, blockchain, artificial intelligence and machine learning for private corporations, telecommunication operators, conglomerates and multinationals around the world; creating intelligent actionable insights that boost value creation and sustainability. Gerard Lim has consulted and delivered award-winning solutions for Sony, Intel, Hewlett Packard, Motorola University, General Electric, Petronas, Measat, Maxis, Digi, Ministry of Education Singapore, Fraunhofer Institute Germany and DST Brunei.

Gerard Lim has worked at the Malaysia Digital Economy Corporation, Axiata Digital, Telekom Malaysia, and his most recent role as Chief Digital Officer at the Malaysian Communications and Multimedia Commission. He is also a specialist writer and regular seminar speaker sharing his thought leadership on the subject of digital directions, innovation and entrepreneurship for a better world.

Present Directorships

Listed entities:

- AMB
- Country Heights Holdings Bhd

Other public company:

Nil

Membership of Board Committee

Nil

Qualifications

- Executive MBA from Open University Malaysia in 2012
- Big Data Business Analytics from Harvard Business School in 2017

Other Information

Gerard Lim Kim Meng does not have any family relationship with any Director and/or major shareholder of the Company nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Board of Directors' Profile

As at 12 April 2021

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

6

German
Age 47
MaleDate of Appointment
30 May 2018Length of Service
2 years and 10 monthsDate of Last Re-election
30 May 2019

SOLMAZ ALTIN

Working Experience

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

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

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

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

Membership of Board Committee

Nil

Qualification

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

Present Directorship

Listed entity:
AMB

Other public company:
Nil

Other Information

Solmaz Altin does not have any family relationship with any other Director and/or major shareholder of the Company except by virtue of being a nominee Director of Allianz SE on the Board of the Company. He does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Board of Directors' Profile

As at 12 April 2021

7

NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

United States of America
Age 44
Female

Date of Appointment
30 June 2019

Length of Service
1 year 9 months

Date of Last Re-election
30 June 2020



CLAUDIA SALEM

Working Experience

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

In addition, Claudia is a member of the Allianz Regional Executive Board, which is responsible for setting and executing Allianz's growth strategy in Asia. Claudia joined Allianz SE Singapore Branch in March 2019. Prior to that, she served AIG since 2003, where she was previously Singapore CEO and Head of Southeast Asia.

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

Present Directorship

Listed entity:
AMB

Other public company:
Nil

Membership of Board Committee

Nil

Qualifications

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

Other Information

Claudia Salem does not have any family relationship with any other Director and/or major shareholder of the Company except by virtue of being a nominee Director of Allianz SE on the Board of the Company. She does not have any conflict of interest with the Company and has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Allianz Life Insurance Malaysia Berhad

Board Members

As at 12 April 2021



GOH CHING YIN

Chairman - Independent Non-Executive Director

Age: 63

Nationality: Malaysian

Gender: Male



PETER HO KOK WAI

Independent Non-Executive Director

Age: 61

Nationality: Malaysian

Gender: Male



DATO' DR. KANTHA A/L RASALINGAM

Independent Non-Executive Director

Age: 47

Nationality: Malaysian

Gender: Male



ANUSHA A/P THAVARAJAH

Executive Director

Age: 53

Nationality: Malaysian

Gender: Female

Allianz General Insurance Company (Malaysia) Berhad Board Members

As at 12 April 2021



TAN SRI DATUK (DR.) RAFIAH BINTI SALIM

Chairman - Independent Non-Executive Director

Age: 73

Nationality: Malaysian

Gender: Female



TUNKU ZAIN AL-'ABIDIN IBNI TUANKU MUHRIZ

Independent Non-Executive Director

Age: 38

Nationality: Malaysian

Gender: Male



DR. MUHAMMED BIN ABDUL KHALID

Independent Non-Executive Director

Age: 45

Nationality: Malaysian

Gender: Male



ZAKRI BIN MOHD KHIR

Executive Director/Chief Executive Officer

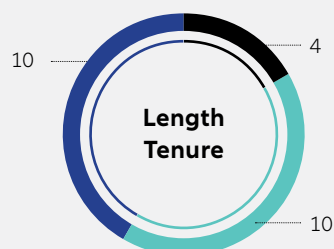
Age: 57

Nationality: Malaysian

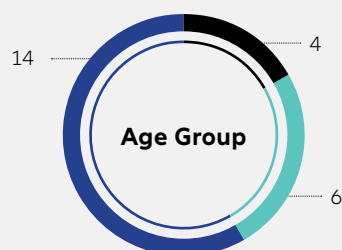
Gender: Male

Senior Management Team Profile

As at 12 April 2021



● 2 years below
● 2 years to 10 years
● 10 years & above



● 30 years - 40 years
● 41 years - 50 years
● 51 years and above

12

Male



12

Female



1

Male
Malaysian
57



ZAKRI BIN MOHD KHIR

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

Qualifications

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

Working Experience and Other Information

Zakri Bin Mohd Khir has over 30 years of experience in the insurance industry. He joined the Company in 2000 as the Head of Industrial Business and was subsequently appointed as the Head of Technical Division in 2004. He was the Head of Operations Division of Allianz General before he assumed his current position as the CEO of Allianz General in December 2010. He is also the CEO of the Company since 3 September 2014. Prior to his employment with the Company and its subsidiaries (collectively referred to as "Group"), he was the General Manager of The American Malaysian Insurance Berhad.

He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

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

1. He is a nominee Director of Allianz SE on the Board of Allianz General.

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

He also does not have any conflict of interest with the Company.

Directorship in Public Company

Allianz General

As at 12 April 2021

2

Male



German



56

**JOSEPH KUMAR GROSS**

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

Qualification

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

Working Experience and Other Information

Joseph Kumar Gross has 29 years of work experience, of which more than 18 years have been in the insurance industry. He joined Allianz SE in 2002 as the Senior Vice President of Strategic Brand Management and was subsequently appointed as the Executive Director and Head of Group Market Management before he assumed his current position as the CEO of Allianz Life on 20 April 2016. He was appointed as the Executive Director of Allianz Life on 17 August 2017. He does not have any family relationship with any other Director and/or major shareholder of Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

3

Male



Malaysian



56

**ONG ENG CHOW**

Chief Financial Officer ("CFO") of AMB and Allianz Life

Qualifications

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

Working Experience and Other Information

Ong Eng Chow has more than 32 years of work experience in the financial services industry, of which 21 years have been in the insurance industry. He joined Allianz Life on 1 June 1999 as Financial Controller and was redesignated as CFO on 1 June 2005. He also assumed the position as CFO of the Company in 2008. Currently, he is the CFO of the Company and Allianz Life. Prior to his employment with the Group, he was the Financial Controller of EON CMG Life Berhad. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

4

51
● Malaysian
● Male**RAFLIZ RIDZUAN**

Chief Underwriting Officer of Allianz General

Qualifications

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

Working Experience and Other Information

Rafliz Ridzuan has 28 years of work experience, of which 28 years have been in the insurance industry. He joined Allianz General on 2 October 2000 as Head of Corporate Business. He was appointed Head of Sales in 2011 prior to his current role as Chief Underwriting Officer which he assumed on 1 September 2014. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

5

56
● Malaysian
● Female**LIM LI MENG**

Chief Sales Officer, Partnership Distribution and Corporate Clients Solutions of Allianz Life

Qualifications

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

Working Experience and Other Information

Lim Li Meng has 31 years of work experience, of which 31 years have been in the insurance industry. She joined Allianz Life on 9 June 2003 and has held several senior managerial positions in various functions within Allianz Life which include Product Development, Operations with her last position being Chief Market Management Officer of Allianz Life. Li Meng was appointed to her current position on 1 November 2012. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

6

Male
Malaysian
48



WANG WEE KEONG

Chief Operations Officer of AMB and Allianz General

Qualification

Bachelor of Commerce and Management

Working Experience and Other Information

Wang Wee Keong has 23 years of work experience, of which 22 years have been in the insurance industry. He joined the Company on 17 May 2004 and has held various managerial positions in the Group. He assumed his current position on 1 January 2010. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

7

Male
German
57



HORST HERMANN HABBIG

Chief Sales Officer of Allianz General

Qualification

Advanced Industrial Training Programme (AFP), Germany

Working Experience and Other Information

Horst Habbig has 38 years of work experience, of which 38 years have been in the insurance industry. He joined the Company in 1999 as Technical Advisor and was subsequently appointed as Chief Operating Officer in 2002. He was redesignated as the Head of Marketing Division in 2008 before he assumed his current position as Chief Sales Officer on 1 April 2010. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

8

47
Male
Malaysian**RAYMOND CHEAH SIN BENG**

Chief Sales Officer-Agency Distribution of Allianz Life

Qualification

Sijil Tinggi Pelajaran Malaysia (STPM)

Working Experience and Other Information

Raymond has 26 years of work experience, of which 7 years have been in the insurance industry. He joined Allianz Life on 15 July 2013 as Deputy Chief Sales Officer. He was appointed as Chief Sales Officer on 1 January 2021. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

9

58
Female
Malaysian**TAMIL SELVI SHANMUGAM**

Group Head of Compliance of the Group

Qualifications

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

Working Experience and Other Information

Tamil Selvi has 34 years of work experience, of which 24 years have been in the insurance industry. She joined the Company on 2 February 1997 as the Chief Internal Auditor and assumed her current position on 2 February 2019. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

As at 12 April 2021

10

Female
●
Malaysian
●
55

**NG SIEW GEK**

Company Secretary and Head of Allianz4Good of the Group

Qualification

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

Working Experience and Other Information

Ng Siew Gek has 29 years of work experience, of which 19 years have been in the insurance industry. She joined the Company on 16 June 1997. She is the Secretary to the Board Committees of AMB and Senior Management Committees of Allianz Life and Allianz General. She is also the Head of Allianz4Good Department, the corporate responsibility arm of the Group since 1 January 2011. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

11

Male
●
Malaysian
●
60

**MOK KIAN TONG**

Chief Risk Officer of AMB and Allianz General

Qualification

Bachelor of Business in Business Administration

Working Experience and Other Information

Mok Kian Tong has 36 years of work experience, of which 36 years in the insurance industry. He joined the Company on 15 June 2001 and has held several managerial positions at Head Office in several functions namely Finance, Compliance and Risk Management. He was appointed as the Chief Risk Officer on 1 January 2011. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

12

52 ● Malaysian ● Female

**WONG WOON MAN**

Group Head of Human Resources of the Group

Qualification

Bachelor of Science in Agribusiness

Working Experience and Other Information

Wong Woon Man has 28 years of work experience, of which 18 years have been in the insurance industry. She joined Allianz Life on 15 August 2002 as Head of Learning and Development. In 2006, she was appointed as Senior Manager, Human Resources. When the Human Resources function was synergised between Allianz Life and Allianz General, she was appointed as Deputy Head of Human Resources. On 1 May 2011, she assumed the role of Head of Human Resources of the Group. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

13

60 ● Malaysian ● Female

**MANOGARI A/P MURUGIAH**

Group Head of Legal of the Group

Qualifications

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

Working Experience and Other Information

Manogari A/P Murugiah has 40 years of work experience, of which 18 years have been in the insurance industry. She joined the Company on 2 January 2003 as Head of Legal. On 1 January 2011, she was appointed as Head of Legal & Compliance of the Group, assuming responsibility for both legal and compliance matters of the Group. Effective 1 February 2019, the legal and compliance functions were segregated and she assumed responsibility for the legal function. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

14

Female
Malaysian
54



LEE CHI KWAN

Head of Finance of Allianz General

Qualifications

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

Working Experience and Other Information

Lee Chi Kwan has 30 years of work experience, of which 28 years have been in the insurance industry. She joined the Company in 2005, and assumed her current position as Head of Finance of Allianz General on 1 November 2010. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

15

Male
German
49



STEFAN RITZ

Chief Operations Office of Allianz Life and
Chief Digital Officer of Allianz Malaysia Berhad

Qualification

Diploma in Business Computing

Working Experience and Other Information

Stefan Ritz has 24 years of work experience, of which 22 years have been in the insurance industry. He joined Allianz in Germany in 1998 as Information Technology consultant and was assigned to Allianz Life Korea from 2000 where he held various project lead and management roles. In April 2012, he joined ALIM as Head of Operations and was subsequently appointed as Chief Operations Officer on 1 January 2013. He assumed his current position on 15 October 2016. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

16

45
● Malaysian
● Female**WONG SIEW LIN**

Chief Investment Officer of the Group

Qualifications

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

Working Experience and Other Information

Wong Siew Lin has 23 years of work experience, of which 13 years have been in the insurance industry. She joined the Company on 1 August 2012 as Head of Investment Management. She assumed her current position on 1 June 2018. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

17

37
● Malaysian
● Female**CORRINE YEO CHIN SAN**

Chief Risk Officer of Allianz Life

Qualifications

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

Working Experience and Other Information

Corrine Yeo has 15 years of work experience, of which 15 years have been in the insurance industry. She joined Allianz Life on 2 January 2018 as Chief Risk Officer. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

18

Female
Malaysian
42



LOKE SIEW PEI

Chief Market Management Officer of the Group

Qualification

Bachelor of Accounting

Working Experience and Other Information

Loke Siew Pei has 19 years of work experience, of which 10 years have been in the insurance industry. She joined the Group as the Chief Market Management Officer on 4 September 2017. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

19

Male
German
51



YORCK OLIVER AGO REUBER

Chief Information Technology Officer of the Group

Qualification

Chief Engineering Degree (German Navy)

Working Experience and Other Information

Yorck Reuber has 31 years of work experience, of which 6 years have been in the insurance industry. He joined the Company on 22 June 2020 as Chief Information Technology Officer. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

20

37
● Malaysian ● Female**CHIN XIAO WEI**

Chief Actuary and Appointed Actuary of Allianz General

Qualifications

1. Fellow of Institute and Faculty of Actuaries (IFoA, UK)
2. Fellow of Actuarial Society of Malaysia
3. Master of Science in Actuarial Management

Working Experience and Other Information

Chin Xiao Wei has 13 years of work experience, of which 13 years have been in the insurance industry. She joined Allianz General on 1 November 2020 as the Chief Actuary and Appointed Actuary. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

21

51
● Malaysian ● Female**JANNY NG SIEW LENG**

Group Head of Internal Audit of the Group

Qualification

Chartered Institute of Management Accountant

Working Experience and Other Information

Janny Ng has 29 years of work experience, of which 25 years have been in the insurance industry. She joined the Company on 16 June 1995 as Internal Audit Executive. She assumed her current position on 1 January 2014. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

22

Male
Malaysian
39



OOI HAW YUN

Chief Product Officer of Allianz Life

Qualifications

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

Working Experience and Other Information

Ooi Haw Yun has 15 years of work experience, of which 15 years have been in the insurance industry. He joined Allianz Life in 2013 as Head of Actuarial Modelling and was subsequently appointed as Head of Pricing on 1 September 2014. He was appointed as Chief Product Officer on 1 January 2020. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

23

Male
Malaysian
36



LEE CHEE SIN

Appointed Actuary / Chief Actuary of Allianz Life

Qualifications

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

Working Experience and Other Information

Lee Chee Sin has 13 years of work experience, of which 13 years have been in the insurance industry. He joined Allianz Life on 17 April 2017 as Head of Corporate Actuarial. He assumed his current position on 9 July 2018. He does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. He has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Senior Management Team Profile

As at 12 April 2021

24

Female
Malaysian
50



SHAMALA GOPALAN

Group Head of Corporate Communications of the Group

Qualification

Bachelor of Arts

Working Experience and Other Information

Shamala Gopalan has 26 years of work experience, of which 18 years have been in the insurance industry. She joined the Company on 20 September 2010 as Assistant Manager in AMB. She assumed her current position on 17 May 2018. She does not have any family relationship with any Director and/or major shareholder of the Company, nor any conflict of interest with the Company. She has not been convicted of any offences within the past 5 years, other than traffic offences, and has not been imposed any penalties by the relevant regulatory bodies during the financial year 2020.

Directorship in Public Company

Nil

Corporate Governance Overview Statement

The Board of Directors constantly strives to inculcate good corporate governance values in the Company towards building a sustainable business despite the challenging operating environment.

This Statement is prepared in compliance with the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and with guidance from the key corporate governance ("CG") principles as set out in the Malaysian Code on Corporate Governance ("Code"). This Statement is to be read together with the CG Report of Allianz Malaysia Berhad ("Company") for financial year ended 31 December 2020 ("FY 2020"), available on the Company's website at allianz.com.my/corporate-profile (under the CG section).

The corporate governance culture in Allianz

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

During the FY 2020, the Company has the pleasure to receive the ASEAN Asset Class Award presented by the ASEAN Capital Markets Forum as recognition of the Company's achievement in the 2019 ASEAN CG Scorecard Assessment. In addition, the Company also received an Industry Excellence Award under the financial services industry from MSWG-ASEAN CG Award 2019.

The Company is also pleased to receive the recognition for being ranked fourth on overall score of the inaugural Malaysia Board Diversity Index amongst 312 companies listed on Bursa Malaysia. The Malaysia Board Diversity study was conducted by the Institute of Corporate Directors Malaysia in collaboration with Willis Towers Watson which aims to provide a snapshot of Malaysia's board diversity landscape as at 31 December 2019.

As at 31 December 2020, the Company applied the principles and adopted the step up practices as prescribed under the Code, except for the following:-

- (a) Practice 7.3 – Step Up
Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.
- (b) Practice 11.2¹
Large companies are encouraged to adopt integrated reporting based on a globally recognised framework.

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

¹ The Group has embarked on a 3-year journey to fully adopt integrated reporting. Further information can be found in the CG Report 2020.



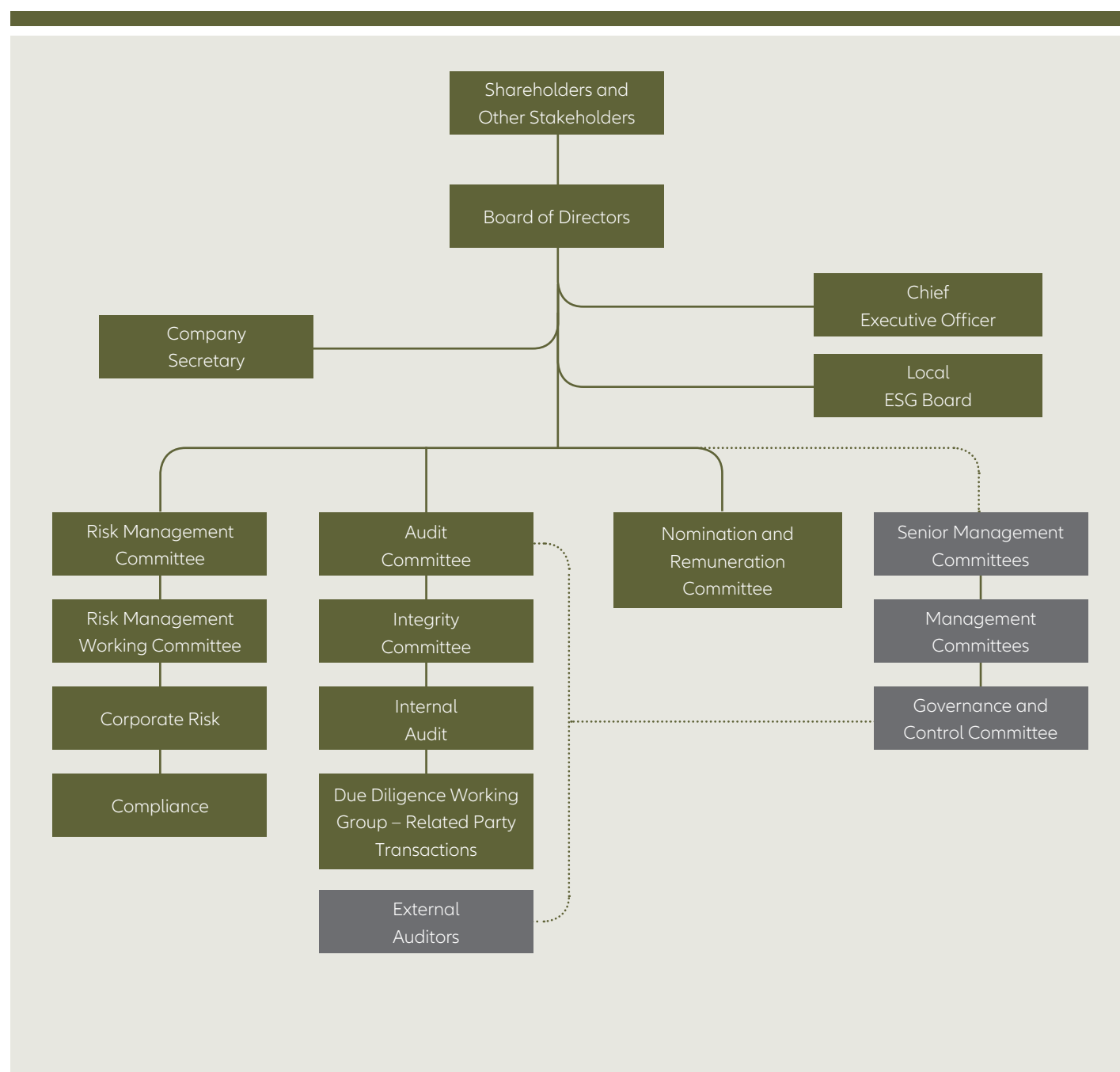
Corporate Governance Overview Statement

Principle A: Board Leadership and Effectiveness

I. Board Responsibilities

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

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



Corporate Governance Overview Statement

The Board is accountable to the shareholders and therefore should use its best efforts to ensure that the Company is properly managed and constantly improved so as to protect and enhance shareholders' value and to meet the Company's obligations to all parties that the Company interacts with. The Board acts in good faith, exercises discretion and proper power in discharging its fiduciary duties and leadership functions with reasonable care, skill and diligence.

In addition, the Board and Board Committees of the Group discharged their roles and responsibilities in accordance with the Board Charter and Terms of Reference respectively. The record of attendance for the respective Board and Board Committee Meetings held in FY 2020 is detailed as follows:-

	Board	Board Committee		
	Company	AC	RMC	NRC
Independent Non-Executive Directors ("INEDs")				
Tan Sri Datuk (Dr.) Rafiah Binti Salim	5/5	6/6		5/5
Tunku Zain Al-'Abidin Ibni Tuanku Muhriz	5/5			5/5
Peter Ho Kok Wai ^[1]	5/5	6/6	4/4	
Goh Ching Yin ^[2]	2/2	3/3	4/4	2/2
Dr. Muhammed Bin Abdul Khalid ^[3]			-	
Dato' Dr. Thillainathan A/L Ramasamy ^[4]	3/3	3/3	2/2	3/3
Marzida Binti Mohd Noor ^[5]	1/1		1/1	
Datuk Gnanachandran A/L S Ayadurai ^[6]			4/4	
Non-Independent Non-Executive Directors ("NINED")				
Solmaz Altin	5/5			
Claudia Salem	4/5			

Notes:

AC : Audit Committee

RMC : Risk Management Committee

NRC : Nomination and Remuneration Committee

 : Chairman

 : Member

 : Non-Member

[1] : Appointed as AC Chairman on 1 July 2020.

[2] : Appointed as INED of the Board, AC member and NRC member on 1 July 2020.

[3] : INED of Allianz General Insurance Company (Malaysia) Berhad ("Allianz General") Board. Appointed as the Chairman of RMC on 10 December 2020. No meeting held after his appointment as the Chairman of RMC.

[4] : Retired as INED of the Board, Chairman of AC, RMC member and NRC member on 30 June 2020.

[5] : Resigned as INED of the Board and RMC member on 1 March 2020.

[6] : INED of Allianz Life Insurance Malaysia Berhad ("Allianz Life") Board and Allianz General Board. Appointed as Member and Chairman of RMC on 1 January 2020 and 1 July 2020 respectively. He resigned as INED of Allianz Life and Allianz General Boards and RMC Chairman on 10 December 2020.

Corporate Governance Overview Statement

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

The Board deliberated on a 3-year business plan for 2021 to 2023 with detailed strategies, financial projection, key performance indicators, its execution and challenges faced by the insurance subsidiaries ("Business Plan"), which might have impact on the dividend income of the Company, and approved the Business Plan in November 2020. On a quarterly basis, the Board reviews the status of the Business Plan and its deliveries.

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 the Management and between the Chairman and the Chief Executive Officer ("CEO"), the Terms of Reference of the Board Committees, the performance evaluation process for the Directors and Board Committees, to serve as a guide or key reference points for the Directors and the stakeholders.

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

The Board formulated the Code of Ethics for Directors with the aims to enhance the standard of CG and corporate behaviours. While the Allianz Group Code of Conduct ("COC") sets the value and principles that guide the actions of all employees and reflects the Group's commitment to running its business sustainably and with integrity. Following the latest revision on the COC, the Board had in February 2021 adopted the COC as the code of conduct for the Directors.

The Group has also established a whistleblowing mechanism to enable anonymous and non-anonymous reporting of any breach of the COC, any laws, regulations, orders or internal rules. All whistleblowing incidences in the Group are reviewed by the Integrity Committee and the findings are reported to the AC.

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

In view of the COVID-19 pandemic and for safety consideration, the Directors were encouraged to participate the Board and Board Committee Meetings virtually. In this regard, conference call and video conferencing facilities have been put in place to enable Directors to attend the respective meetings virtually.

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

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

II. Board Composition

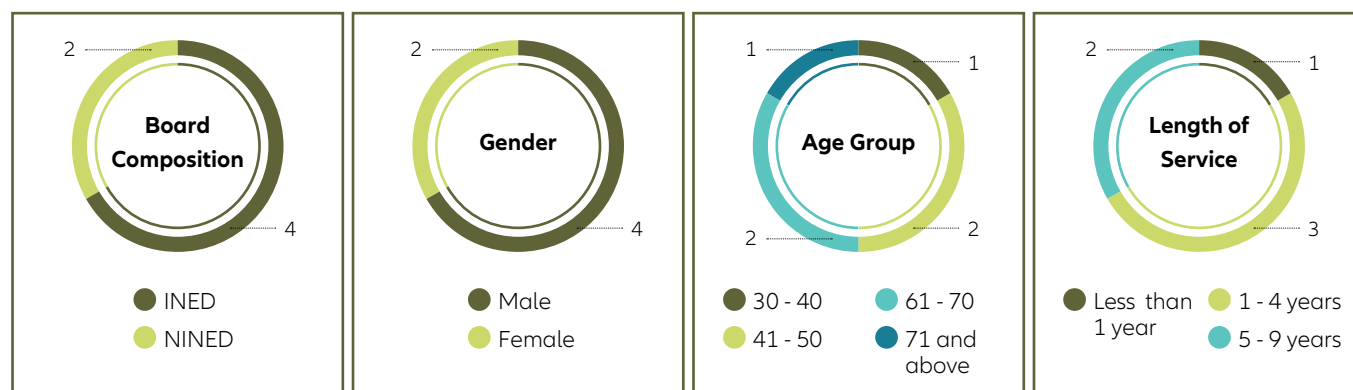
The Board composition of the Group is structured to encourage objective and independent deliberation, review and decision making. The Board of the Company comprised purely Non-Executive Directors with a majority of INEDs as at FY 2020.

The respective Boards recognise the importance of having a diverse Board in terms of experience, skills, competence, ethnicity, gender, culture and age. The size and composition of the respective Boards shall be 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 will be drawn from various fields as may be determined by the Board from time to time with a balance of skills and experiences appropriate to the business of the Company.

Corporate Governance Overview Statement

The Board fully endorsed that female candidates should be included in the evaluation process for appointment of new Directors to the Board. In the effort to promote Board gender diversity, the NRC has taken steps to ensure that female candidates are sought and considered in its recruitment exercise for appointment of new Directors to the Board. The Board achieved 33% of female Directors as at FY 2020 which was made up by 2 female Directors, out of a total of 6 Directors on the Board.

The Board's information as at 31 December 2020 is presented in the charts below:-



Board Experience and Expertise			
Finance, Accounting and Audit	Banking and Insurance	Human Resource and Development	Governance
Information Technology	Legal and Regulatory	Leadership	Risk Management

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

The Group has adopted the policy on the tenure of INEDs which is set for a maximum period of 9 years.

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

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

In addition, the Board agreed that the Board evaluation shall be facilitated by a professional and independent party at least once in every 3 years. In FY 2020, the Board approved the engagement of an independent consultant, KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to perform the Board Effectiveness Evaluation ("BEE") and Board Remuneration Review ("BRR") for the Group.

Corporate Governance Overview Statement

The BEE was conducted by KPMG in the second quarter of the FY 2020 by way of questionnaire/assessment forms and interview with the Directors as well as relevant Senior Management. The questionnaire/assessments covers the following assessment topics:-

- a Board of Directors' Assessment
- b Fit and Proper
- c Directors' Self and Peer Assessment
- d Independent Directors' Self-Assessment
- e AC
- f RMC
- g NRC

The overall results of the BEE were positive and the positive highlights identified were categorised into 4 categories namely Board configuration and gravitas, working relationship with Management, downstream and upstream governance and regulatory consciousness.

Apart from the positive highlights, KPMG has submitted its recommendations on areas for improvement and action plan has been established. The NRC had in November 2020 reviewed and endorsed the said action plan. The said action plan was presented to the respective Boards of the Group and adopted by the respective Boards for implementation.

The details on the activities of the NRC are described in the CG Report 2020. It embraces Principle A of the Code in relation to the Board composition.

III. Remuneration

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

The Directors' fees, allowances and benefits payable to the Chairman and Non-Executive Directors (excluding Nominee Directors of Allianz SE) of the Company and its insurance subsidiaries will be tabled for the shareholders' approval at the 47th Annual General Meeting ("AGM") of the Company.

The Directors' remuneration was last reviewed in 2016, following the issuance of the Directors' Remuneration Report 2015 by the Financial Institutions Directors' Education Forum

on 7 December 2015. The then Remuneration Committee recommended a 3-year step-up plan (financial years 2016 to 2018) for Directors' remuneration.

A review on the Directors' fees shall be carried out once in every 3 years. Therefore, the Board had in March 2020 engaged KPMG to assist the Board in establishing a transparent and robust remuneration framework for the Directors, taking into account the demands, complexities and performance of the Group as well as the skills and experience required of the Directors, including undertake a benchmarking analysis against peer companies and Malaysian listed companies and recommend appropriate remuneration for the Directors.

The BRR was comprehensively deliberated by the NRC and respective Boards of the Group in October 2020.

Arising from the BRR, the NRC reviewed and deliberated the proposed remuneration for Directors and in February 2021, NRC recommended the following to the Board for consideration:-

- (a) Directors' fees be revised for financial year 2021 with a standard retainer or fixed fee to be applied across the Board and the fee for Board Committee Chairmen and Members to be streamlined, with retrospective effect on 1 January 2021:-

Fee per annum (RM)			
Board Chairman/ Member	AC Chairman/ Member	RMC Chairman/ Member	NRC Chairman/ Member
120,000	48,000	36,000	24,000

- (b) Payment of the Directors' fees be made on a monthly basis instead of in arrears after every AGM:-

Fee	Annually (RM)	Monthly (RM)
Director's Fee	120,000	10,000
AC Fee	48,000	4,000
RMC Fee	36,000	3,000
NRC Fee	24,000	2,000

Corporate Governance Overview Statement

- (c) Revised meeting allowance to take effect after the 47th AGM:-

Meeting Allowance per meeting (RM)	
Chairman	3,500
Member	3,000

- (d) Premium to be accorded to the Chairmen of the Board and the Board Committees in recognition of their heightened responsibility assumed will be reflected in the monthly allowance (for Board Chairman) and meeting allowance. Nevertheless, the NRC proposed no change to the Chairman monthly fixed allowance.
- (e) The revised remuneration should be applicable until financial year 2023.

The Board had in February 2021 approved the revised remuneration, subject to the shareholders' approval at the 47th AGM.

Further details of the revised Directors' remuneration are disclosed in the Notice of 47th AGM in the Annual Report 2020.

The Group has adopted the Allianz Group Policy for Remuneration ("Remuneration Policy") for the employees, which is in line with the Group's business and risk management strategy, its risk profile, objectives, risk management practices and the long-term interests and performance. The Remuneration Policy forms a key component of the governance and incentive structure through which the respective Boards and Senior Managements of Group drive performance, convey acceptable risk taking behaviour and reinforce the Group's corporate and risk culture.

Details for the roles and responsibilities of the NRC are attached to the Board Charter, and the Remuneration Policy are published under the CG section of the Company's website.

Principle B: Effective Audit and Risk Management

I. Audit Committee

During FY 2020, the AC composed wholly of INEDs and was chaired by Peter Ho Kok Wai.

The Board observes the cooling-off period of at least 2 years for a former key audit partner who is directly involved in the

engagement with the Company to be appointed as a member of AC. In this respect, none of the Directors are former key audit partners.

The AC conducts annual assessment on the external auditors based on the criteria as prescribed under Paragraph 15.21 of the Listing Requirements as well as the BNM's guidelines on appointment of external auditors. The AC also evaluates and recommends to the Board on the proposed appointment of the engagement partner and the concurring partner, and ensures that there is a rotation on the said partners at least once in every 5 years.

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

The Board has reviewed the performance evaluation of AC which was facilitated by KPMG. The AC scored 93% out of 100% in the performance evaluation assessment. Further disclosure on the performance evaluation of AC is detailed in the AC Report of this Annual Report.

Details for the roles and responsibilities of the AC are attached to the Board Charter, and the Policy on Audit and Non-Audit Services Provided by External Auditors are published under the CG section of the Company's website.

II. Risk Management and Internal Control Framework

The Board is fully committed to ensure that effective risk management and internal control systems are in place within the Group and continuous reviews are undertaken to ensure adequacy and integrity of these systems. In this regard, the Board entrusted the AC and RMC with responsibilities on the risk management and internal control function of the Group. Similar to the composition of AC, the RMC comprised solely of INEDs during FY 2020. The RMC was chaired by Dr. Muhammed bin Abdul Khalid.

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

Corporate Governance Overview Statement

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

The Group has in place a Risk Management Framework Manual ("RMFM") which 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. The RMFM is in compliance with the relevant requirements of the guidelines and/or policies issued by BNM and Allianz SE Group.

The Board is of the view that the system of internal control and risk management of the Group is sound and sufficient to safeguard shareholders' investments, the Group's assets, the interest of customers, regulators, employees and other stakeholders.

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

Details for the roles and responsibilities of the RMC are attached to the Board Charter which is published in the Company's website.

Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

I. Communication with Stakeholders

The Board is mindful that timely and easy accessibility to information are crucial for the shareholders and stakeholders to make informed decisions. The Company has leveraged on information technology to disseminate information where all levels of stakeholders are able to access information more effectively and conveniently. The information is disseminated through publication of quarterly report, annual report, corporate announcement through Bursa LINK, Investor Relations, press releases, corporate website and social platforms.

In the journey to adopt integrated reporting ("IR"), an IR framework gap analysis has been completed by KPMG, based on the International IR Council's International IR Framework. KPMG had conducted an IR framework assessment workshop

where the key findings on current state of sustainability considerations and the proposed IR roadmap for the Company were presented to the Management. A milestone plan will be set up to formalise the IR.

II. Conduct of General Meetings

The Notice of the 46th AGM was despatched to shareholders on 1 June 2020 with 28 clear days prior to date of the AGM held on 30 June 2020, to provide sufficient time for the shareholders to review the Group's financial and operational performance and to evaluate the resolutions tabled at the AGM, as well as to enable the shareholders to make the necessary arrangement to attend the AGM.

As part of the Company's effort in facilitating effective communication, the Notice of 46th AGM, circular to shareholders, proxy form and administrative details for the 46th AGM were published in the Company's website under the Investor Updates section.

The 46th AGM of the Company was conducted fully virtual from the broadcast venue on 30 June 2020 via Remote Participation and Voting facilities ("RPV"), which were available at Tricor Investor & Issuing House Services Sdn Bhd ("Tricor")'s TIIH Online website at <https://tiih.online>.

In consideration of the COVID-19 pandemic, the shareholders and proxies ("Participants") were not allowed to attend the 46th AGM in person at the broadcast venue on the day of the Meeting. Nevertheless, the Participants were given opportunities to raise questions to the Company prior to the day of 46th AGM via submission of questions to TIIH Online website, or email to the Investor Relations Team of the Company. Alternatively, the Participants could take the opportunity to submit their questions through RPV during the 46th AGM.

The 46th AGM poll results were validated by Mega Corporate Services Sdn Bhd, the independent scrutineer appointed by the Company. Upon the completion of poll results validation, the Chairman of 46th AGM declared that all resolutions were carried. The 46th AGM was the first AGM that was conducted virtually, a post mortem plan was established to address areas for improvement, moving forward.

This Statement was approved by the Board on 6 May 2021.

Audit Committee Report

COMPOSITION

The Audit Committee ("AC") of the Company consists wholly of 3 Independent Non-Executive Directors, all of whom have satisfied the test of independence under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") and none of them are directly responsible for, or part of any committee involved in, the management functions of the Company and its insurance subsidiaries (collectively referred to as "Group").

The AC's composition meets the requirements of Paragraph 15.09 of the Listing Requirements as well as Practice 8.1 and Step Up Practice 8.4 under Principle B of the Malaysian Code on Corporate Governance. The AC Chairman, Peter Ho Kok Wai is a Member of the Malaysian Institute of Accountants, Fellow of the Institute of Chartered Accountants in England and Wales and a Member of the Malaysian Institute of Certified Public Accountants. The composition of the AC as at the date of this report is as follows:-

Peter Ho Kok Wai (Chairman)
Independent Non-Executive Director

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

Goh Ching Yin (Member)
Independent Non-Executive Director

The AC for the Group is centralised at the Company level.

ANNUAL PERFORMANCE ASSESSMENT

The Group had in March 2020 engaged KPMG Management & Risk Consulting Sdn Bhd ("KPMG") to facilitate the conduct of the Board Effectiveness Evaluation and Board Remuneration Review of the Group.

The performance evaluation of the AC as a whole for the financial year ended 31 December 2019 until the second quarter of the financial year 2020 were facilitated by KPMG in July 2020. The AC scored 93% out of 100% in the performance evaluation assessment. The Board is satisfied that the AC members have the required skills and competencies to discharge the duties and responsibilities of the AC, and the AC had discharged its functions and duties in accordance with the AC's terms of reference ("TOR").

ROLES OF THE AC

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

Support the Board in ensuring that there is a reliable and transparent financial reporting process

Monitor and evaluate the performance and effectiveness of the external and internal audit functions

Assess the internal control environment

Review and report to the Board of conflict of interest situations and related party transactions ("RPTs")

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

MEETINGS AND ATTENDANCE OF MEETINGS

The AC held six meetings in 2020, attended by all the AC members. The AC members' attendance records are set out in the Corporate Governance Overview Statement section in this Annual Report.

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

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

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

Audit Committee Report

SUMMARY OF WORK

The following were the summary of work carried out by the AC during the financial year ended 31 December 2020 ("FYE 2020"):-

Financial Matters

- (a) AC reviewed and recommended the following for the approvals of the respective Boards of the Group:-
 - (i) The Audited Financial Statements and Directors' Reports ("AFS") of the Company and its subsidiaries for the financial year ended 31 December 2019 ("FYE 2019").
 - (ii) The audited and unaudited consolidated quarterly reports of the Group.
 - (iii) The AFS and AFS for Investment-Linked ("IL") Funds for the FYE 2019 and the Interim Financial Statements for the financial period ended 30 September 2020 ("Interim Review") of the life insurance subsidiary.
 - (iv) The AFS for the FYE 2019 and the Interim Review of the general insurance subsidiary.
 - (v) The unaudited Interim Financial Statements for the half-year ended 30 June 2020 of the insurance subsidiaries.
 - (vi) The audited annual return for the FYE 2019 of the insurance subsidiaries.

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

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

The External Auditors of the Group, PricewaterhouseCoopers ("PwC") PLT, has given an unqualified opinion on the AFS of the Company and its insurance subsidiaries for FYE 2019.

- (b) AC reviewed and recommended for the approvals of the respective Boards of the Group, the Management Representation Letters to the External Auditors in respect of

the statutory audits of the Group and AFS for IL Funds for the FYE 2019 of the Company's life insurance subsidiary.

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

AC also reviewed and recommended for the approval of the respective Boards of the Company's insurance subsidiaries, the respective Management Representation Letter to the External Auditors in respect of the limited review of the Company's insurance subsidiaries' Interim Review.

- (c) AC reviewed and recommended for the approvals of the respective Boards of the Company's insurance subsidiaries, the respective Actuarial Reports and Audited Reporting Forms in relation to Risk-Based Capital Framework for the FYE 2019.
- (d) AC reviewed the Statement on Risk Management and Internal Control ("SORMIC") prior to the same being submitted to External Auditors for review.

The Management has given assurance that:-

- (i) the present risk management framework and internal control system are adequate and effective in mitigating risks to achieve its business objectives; and
- (ii) no significant deficiencies have been identified in the design or operation of internal controls that could adversely affect the Group's ability to meet its business objectives.

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

Audit Committee Report

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

- (e) AC reviewed the updates and progress scorecard on the implementation of IFRSs 9 and 17. The Management had on a quarterly basis updated the AC on the progress of the implementation of IFRSs 9 and 17. The AC has also recommended for the approvals of the respective Boards of the insurance subsidiaries for a revised budget of IFRSs 9 and 17 due to additional cost and resources required to support the project arising from one-year deferral of IFRS 17 implementation to 2023.

As at 31 December 2020, the implementation of IFRSs 9 and 17 was on track and within budget.

Group, migration of current accounting system, namely SUN to SAP system and consolidation of unit trust investment.

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

One private discussion was held between AC and External Auditors without the presence of the Management on 21 February 2020 to allow them to express concerns, problems and reservations, if any, arising from their audits.

PwC PLT were satisfied with the cooperation extended to them during the course of their audit.

External Auditors Related Matters

(A) Audit Plan, Findings and Recommendations

During the financial year 2020, the External Auditors attended the AC meetings and reviewed the following matters with the AC:-

- (a) the 2019 final audit findings of the Group covered significant accounting, auditing and internal control issues in the course of the statutory audit of the Group for the FYE 2019. The External Auditors have not alerted AC so far on any material concern/weaknesses on internal controls of the Group.
- (b) the respective Management Letters issued by the External Auditors highlighted matters on system of internal control which came to External Auditors' attention during the course of the statutory audit of the insurance subsidiaries for the FYE 2019 and the respective Managements' responses in relation thereto. AC was satisfied with the responses provided by the respective Managements and recommended the same to the respective Boards of the insurance subsidiaries for approval.
- (c) the External Audit Plan of the Group for the FYE 2020 detailed amongst others, the areas of focus such as specific risks areas for the respective entities within the

(B) Re-appointment of External Auditors

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

In February 2020, AC undertook an annual assessment on the performance of PwC PLT, including its EP and CP. The assessment on the performance of PwC PLT based on the criteria prescribed by the relevant authorities had been performed by the Finance Team of the respective companies within the Group. The Finance Team of the Group were satisfied with the work delivered by PwC PLT and recommended the re-appointment of PwC PLT as External Auditors for the financial year 2020 based on the following rationales:-

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

Audit Committee Report

- (ii) In view of the above, PwC PLT would be able to provide effective co-ordination of the audits between the companies within the Group as well as between the Group and Allianz Group.
- (iii) PwC PLT met the minimum criteria for appointment, as specified by BNM.
- (iv) PwC PLT completed the Group's 2019 statutory audit satisfactorily.

PwC PLT confirmed that, for the audit of the financial statements of the Company and its subsidiaries for the FYE 2020, PwC PLT has maintained its independence in accordance with the firm's requirements and the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

AC deliberated on the evaluation and recommendation of the Finance Team and concurred with the Management's recommendation and justification to re-appoint PwC PLT as the External Auditors for the Group and recommended the re-appointment of PwC PLT as the External Auditors for the Group for the financial year 2020 for the respective Boards' approval.

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

- (b) AC reviewed the scope of work and the audit fees of the Group for the financial year 2020 ("2020 Audit Fees") and recommended the same for the respective Boards' consideration.
- (c) The 2020 Audit Fees for the Company and the Group are as set out below:-

	Group RM'000	Company RM'000
Statutory Audit Fees	838	145

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

- (i) the re-appointment of PwC PLT to review the SORMIC of the Company for the financial year 2020;
- (ii) the engagement of PwC PLT to perform agreed-upon procedures in relation to the issuance of Validation Reports for Perbadanan Insurans Deposit Malaysia ("PIDM") Differential Levy System ("DLS") Framework and Return on Calculation of Premiums for FYE 2019 ("Validation Reports") to PIDM for the insurance subsidiaries and the report to Motor Insurers' Bureau of West Malaysia for general insurance subsidiary for FYE 2019;
- (iii) the engagement of PwC PLT to perform Interim Review on the insurance subsidiaries;
- (iv) the PwC PLT's master engagement letter for the review of SORMIC issued in financial year 2019 which were effective for subsequent financial years unless terminated in writing by the Company or PwC PLT as well as PwC PLT's engagement letters in relation to the above engagements (ii) and (iii).

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

AC is required to ensure proper check and balances are in place so that provision of non-audit services by the External Auditors do not interfere with their exercise of independent judgment. In this regard, the Policy on Audit and Non-Audit Services Provided by External Auditors ("Policy") was put in place to govern the professional relationship between the Group and its External Auditors in relation to audit and non-audit services. The Policy aims to ensure that the independence and objectivity of the External Auditors are not compromised.

 The Policy is available in the Company's website at allianz.com.my/corporate-profile (under the Corporate Governance section)

Audit Committee Report

During the year, AC recommended the below mentioned non-audit services and their respective fees ("Non-Audit Services & Fees") for the respective Boards' approval. The Non-Audit Services & Fees were approved by the respective Boards of the Group during the financial year 2020:-

	Subsidiaries RM'000	Company RM'000
Non-Audit Fees		
• review of interim financial information for the Interim Review for the insurance subsidiaries	153	-
• review of SORMIC	-	10

The total non-audit fees of the Group for the financial year 2020 amounted to RM163,000.

RPTs

- (a) During the financial year, AC reviewed and deliberated on all new and existing RPTs and recurrent RPTs ("RRPTs") for the ensuing year in accordance with the internal authority limits approved by the Board and recommended to the Board for consideration.
- (b) All RPTs and RRPTs were reviewed by the Shareholders' Mandate Due Diligence Working Group ("DDWG") prior to the said transactions being presented to AC for consideration. The DDWG reviewed all RPTs and RRPTs and submitted its recommendations to AC based on the criteria, include but are not limited to the following:-
- transaction prices or contract rates;
 - justification on the charging basis;
 - comply with the requirements under the applicable tax laws including transfer pricing guidelines issued by the relevant authority;
 - terms and conditions of the contract;
 - efficiency, quality, level of service and/or expertise and/or technical support provided;
 - benefits arising from the services/products;
 - satisfactory past year experience and working relationship; and
 - in respect of the insurance activities, pursuant to reinsurance, underwriting and treaty arrangements entered into between relevant parties.

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

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

AC also reviewed the list of RPTs entered into by the insurance subsidiaries for the periods from 1 January 2019 to 31 December 2019 and from 1 January 2020 to 30 June 2020 which were submitted to BNM.

- (c) During the financial year, in order to simplify and expedite approval process of RPTs/RRPTs, AC recommended that RPTs/RRPTs with a transaction or contract value below RM250,000, to be approved by the Chief Executive Officers of the respective companies ("Proposed RPT Approval Matrix") to the respective Boards of the Group for consideration.

The AC also reviewed the review procedures for RRPTs to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify RPTs/RRPTs in a timely and orderly manner. Arising from the Proposed RPT Approval Matrix, the AC, upon recommendation from DDWG had proposed changes to the review procedures for RRPTs ("Revised Review Procedures") for the Board's approval. AC was of the view that the Revised Review Procedures are sufficient to ensure that the RPTs/RRPTs are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company, and the Group has in place adequate procedures and processes to monitor, track and identify RPTs/RRPTs in a timely and orderly manner. In view thereof, AC approved the AC Statement in respect of the Revised Review Procedures for inclusion in the Circular to shareholders in relation to the renewal of Shareholders' Mandate for RRPTs.

Given that the DDWG will review the Group's RPTs/RRPTs and submit its recommendations in accordance to the levels of authority as determined by the respective Boards, the AC upon recommendation of the Management proposed that the RPTs/RRPTs list approved by the respective Chief Executive Officers be tabled directly to the respective Boards on a half-yearly basis for notification, to the respective Boards of the Group for consideration.

Audit Committee Report

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

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

Internal Audit Related Matters

(a) In its oversight over the Internal Audit function, AC had approved the Group's 5-year (2021 – 2025) Internal Audit Plan. The said 5-year Internal Audit Plan is a dynamic plan and the review will be conducted on an annual basis. AC had also approved the management expenses budget of IAD.

(b) AC reviewed on a quarterly basis, the progress reports of the Group's Internal Audit Plan 2020 ("2020 Plan") to ensure that the 2020 Plan was on track. AC also discussed the progress reports on various outstanding audit findings. AC noted that 97% of the revised 2020 Plan has been executed.

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

(d) AC reviewed the Validation Reports, prepared by the Group Head of IAD and External Auditors for the Company's insurance subsidiaries. Both the Group Head of IAD and External Auditors had given clean opinion on their respective

Validation Reports. AC approved the Validation Reports prepared by the Group Head of IAD and the Chairman of the AC was authorised to sign the Validation Reports for and on behalf of the AC.

AC also reviewed the notification from PIDM in respect of the DLS score, levy category and annual levy rate for assessment year 2020 for the insurance subsidiaries.

(e) AC reviewed the results of the self-assessment review of the IAD in 2020. The internal audit self-assessment review is conducted on an annual basis to evaluate the internal audit activities' efficiency, effectiveness and identifies opportunities for improvement. The overall performance of the IAD was rated Improvement Needed.

(f) In February 2020, AC evaluated the 2019 performance of the Group Head of IAD and submitted its recommendations to the Nomination and Remuneration Committee ("NRC") and the respective Boards for review. AC also reviewed the 2020 target letter of the Group Head of IAD and recommended the same for the approval of the NRC and the respective Boards.

(g) AC reviewed and was satisfied with the progress of IT initiatives to address common audit issues.

(h) The Group Head of IAD had on 24 August 2020 met with AC without the presence of the Management to discuss on key internal controls and internal audit matters. AC also reviewed together with the Group Head of IAD, the resources, staffing and succession plan of the IAD.

Integrity and Ethics

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

During the financial year, AC reviewed and recommended for the approval of the respective Boards of the Group, the revised AMB Group's Whistleblowing Policy ("WBPP"). The revised WBPP was recommended following conduct of a gap analysis of the Group's existing WBPP with BNM's expectation in the 2019 supervisory review observations of the insurance subsidiaries, relevant requirements, industry practices as well as Allianz Group's guidance on whistleblowing.

Audit Committee Report

Further, AC also recommended for the approval of the respective Boards of the Group, the revised AC's TOR following recommendation from BNM to enhance clarity in relation to whistle-blower protection and effective implementation of WBPP.

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

Others

- (a) AC reviewed and recommended for the approval of the Board, the Chairman's Statement, Management Discussion and Analysis, AC Report and the Corporate Governance Overview Statement for inclusion in the Annual Report of the Company for the FYE 2019.
- (b) AC reviewed and discussed on the tax audit development for the insurance subsidiaries.
- (c) AC reviewed and deliberated on the BNM's 2019 supervisory review observations of the insurance subsidiaries and the Management's responses and remediation actions, prior to the same being presented to the respective Boards. AC also monitored the remedial measures to address the findings highlighted in BNM's 2019 supervisory review on a quarterly basis.
- (d) AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Accounting and Reporting Policy version 7.0 ("GARP"). GARP defines the framework for the provision of reliable and high quality financial information by Allianz Group, and shall thus, facilitate the implementation of regulatory and accounting requirements. It aims to minimise any Accounting and Reporting risk to protect Allianz Group's financial stability and reputation. Hence, the GARP outlines the principles for Accounting and Reporting functions and processes in the Allianz Group and sets the related governance structure. A gap analysis was performed and there were no material gaps or applications that require adaptation.

AC reviewed and recommended for the approval of the respective Boards of the Group, the Allianz Group Audit Policy version 9.0 ("AGAP"). AGAP aims to ensure that the organisation and work of the Allianz Group's Internal Audit functions worldwide adhere to a consistent set of minimum rules and operating procedures such that the effectiveness of the controls necessary to achieve the Allianz Group's goals are ensured.

- (e) AC deliberated on the progress of investigation by Malaysia Competition Commission in respect of the allegation by Federation of Automobile Workshop Owners' Association of Malaysia on Persatuan Insurans Am Malaysia and its members, including the general insurance subsidiary of the Company.
- (f) AC reviewed and recommended for the approval of the respective Boards of the Group, the AMB Group Sales Disciplinary Policy.
- (g) AC deliberated the post-mortem report on AMB Group's operational recovery amidst the COVID-19 pandemic.

The Group has activated its Business Continuity Plan since March 2020 to manage the COVID-19 triggered crisis and the situations arising thereon to safeguard the safety of its staff and partners, while ensuring continuity of operations and service to its customers. While the AC is satisfied with the current approach and measures taken by the Management, AC also deliberated on areas for improvement moving forward including staff performance assessment and work culture in the new normal.

- (h) AC reviewed and recommended for the approval of the Board of the life insurance subsidiary, the revised impairment policy of Agency Financing Scheme.
- (i) AC reviewed and recommended for the approval of the Board of the general insurance subsidiary, the assessment on Standard Chartered Bank Malaysia Berhad's Bancassurance distribution right as at 31 December 2020.

TRAINING

During the FYE 2020, AC members attended various conferences, seminars and training programmes and the details of the conferences, seminars and training programmes are reported in the 2020 Corporate Governance Report of the Company.

Audit Committee Report

INTERNAL AUDIT FUNCTION

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

All internal audit personnel had confirmed via annual declaration to the Group Head of IAD that they were free from any relationship or conflict of interest, which could impair their objectivity and independence for internal audit activities carried out for the FYE 2020. The Group Head of IAD has provided assurance to the AC via the annual declaration of independence for the FYE 2020 that the internal audit activities carried out during the year has complied with the independence requirements of the Institute of Internal Auditors and other relevant practices or guidelines from Allianz Group Audit and there was no contravention of any applicable code of professional conduct in relation to the audit activities.

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

During the FYE 2020, the IAD carried out its duties in accordance with its Audit Charter and 2020 Plan. All internal audit reports which incorporated the Management of the respective companies' responses and action plans were tabled for discussion at AC meetings.

2020 Plan was developed based on annual risk assessment and approved by the AC. The identified key audit areas for 2020 encompassed market and brand management, risk and capital management, investment management, actuarial pricing, sales distribution – agency, bancassurance, underwriting and policy administration, cash transaction and payable, claims fraud management, IT systems audit and regulatory compliance audit such as Business Continuity Management and Replacement of Policy.

A total of 35 internal audit assignments were carried out during the FYE 2020. A total of 37 internal audit and assessment reports generated during the FYE 2020 were reviewed and deliberated by AC. There were no significant or material audit findings detected during the FYE 2020.

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

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

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

There were a total of 16 internal auditors including the Group Head of IAD. All internal auditors have completed tertiary education in the relevant fields related to the business of the Group and the level of expertise and professionalism within IAD at the end of 2020 was as follows:-

Expertise	Percentage of total internal auditors
Finance	80%
IT	19%
Business/Economics	65%
Marketing	50%
General/Others	80%
Professional Certification	
Certified Internal Auditor (CIA)	6%
Association of Chartered Certified Accountants (ACCA) Association of Chartered Management Accountant, and etc.	38%
Institute of Internal Auditors Memberships	31%
Post Graduate	
MBA and Masters	6%

The total cost incurred by the IAD in discharging the internal audit functions of the Group for the financial year 2020 was RM3.3 million (2019: RM3.0 million).

This AC Report was approved by the Board on 6 May 2021.

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 of Directors (“Board”) to include in the Annual Report, a statement about the state of its internal control.

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

Board Responsibility

The Board is fully committed to ensure that effective risk management and internal control systems are in place within Allianz Malaysia Berhad (“Company”) and its subsidiaries (collectively referred to as the “Group”) and continuous reviews are undertaken to ensure adequacy and integrity of these systems. While such systems, are designed to safeguard shareholders’ investments and the Group’s assets, they can only mitigate rather than eliminate the risk of failure to achieve the business objectives of the Group. These systems, by their nature, can only provide reasonable but not absolute assurance against material misstatement or loss.

The Board has established an on-going process for identifying, evaluating and managing the significant risks encountered by the Group in achieving its business objectives. The process, which is reviewed and updated from time to time to cater for changes in business environment, has been in place throughout the financial year ended 31 December 2020 and up to the date of this Statement.

Audit Committee

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

Risk Management Committee

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

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

The Chief Executive Officer and the Chief Financial Officer have given assurance to the Board on the adequacy and effectiveness of the Group’s risk management and internal control system. For the financial year ended 31 December 2020 and up to the date of this Statement, the Management has not identified any significant deficiencies in the design or operation of risk management and internal controls of the Group that could adversely affect the Group’s ability in meeting its business objectives.

Control Structure

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

Statement on Risk Management and Internal Control

Risk Management Framework

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

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

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

The Group also adopts the three lines of defence model where the "first line of defence" rests with the business managers. They are responsible in the first instance for both the risks and returns of their decisions.

The "second line of defence" is made up of the oversight functions comprising Compliance and Risk Management that are independent from business operations.

- The Compliance function assists the respective Board and Senior Management of the OEs in managing and mitigating the compliance risks due to any non-compliance of the requirements of the law, regulations as well as regulatory and industry guidelines.
- Risk Management function assists the respective Board and Senior Management of the OEs to achieve its strategic goals and objectives by implementing risk management activities and controls across the organisation.

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

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

- The Legal function seeks to mitigate legal risks arising from legislative changes, major litigation and disputes, regulatory proceedings and unclear contractual terms.
- The Actuarial function contributes towards assessing and managing risks in line with regulatory requirements and reports to the respective Board and Senior Management of the OEs. Its scope of work includes coordination and calculation of technical reserves, providing oversight on product pricing and profitability and contribution to the effective implementation of the risk management system.

The RMC drives the risk management framework of the Group and reports quarterly to the Boards of the OEs on its recommendations and/or decisions. The Risk Management Working Committee ("RMWC") is established at the Management level of the respective OEs and serves as a platform for two-way communication between the Management and the RMC on matters relating to risk strategy and management. Through the quarterly reporting from RMWC, the RMC consolidates the status of the risks and presents them to the respective Board of the OEs for consideration.

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

Statement on Risk Management and Internal Control

Internal Audit

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

Internal Audit Plan is developed based on annual risk assessment and approved by the AC. The audit scope covers auditable areas encompassing financial operations, sales, underwriting and claims operation, operation such as complaints management, internal and regulatory compliance audit such as business continuity management, replacement of policy, and IT systems.

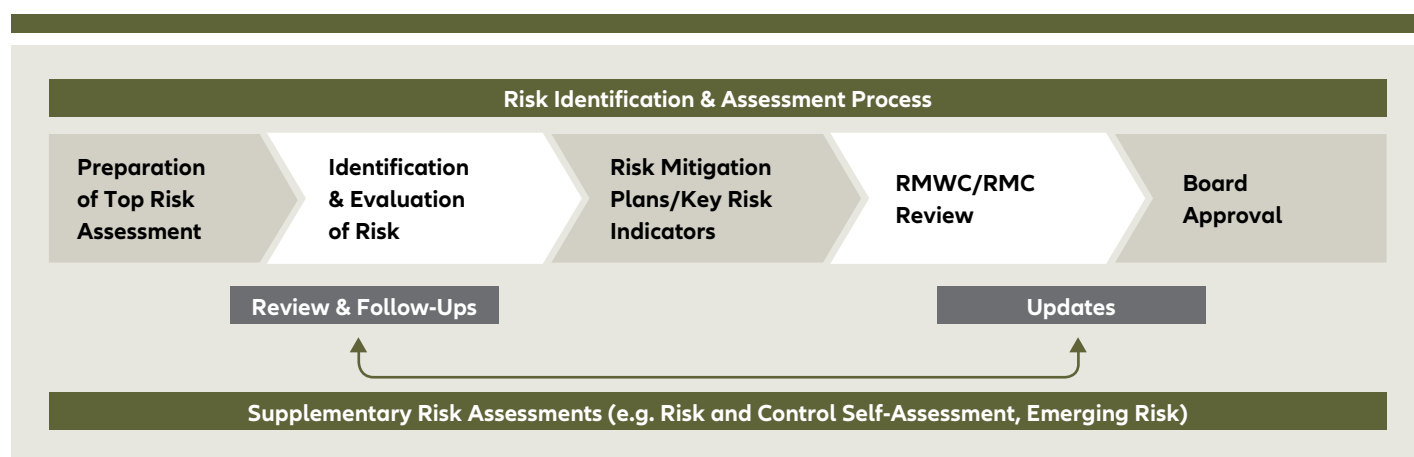
Internal audit findings are discussed at management level. Senior and functional line management are tasked to ensure that management action plans are carried out in accordance with the internal audit recommendations. All internal audit reports are submitted to the AC. The AC deliberates on key audit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

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

Risk Management Process

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

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



Statement on Risk Management and Internal Control

(i) Top Risk Assessment ("TRA")

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

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

Key Risks	Broad Definition	Risk Management Practices
Market	Unexpected losses arising due to changes in market prices or parameters influencing market prices, as well as the resultant risk from options and guarantees that are embedded in contracts or from changes to the net worth of assets and liabilities in related undertakings driven by market parameters. In particular, these include changes driven by equity prices, interest rates, real estate prices, exchange rates, credit spreads and implied volatilities. It also includes changes in market prices due to worsening of market liquidity.	- Investment activity is strictly governed by the pre-approved limits and appetite and monitored through a front end system. Any exception requires pre-approval. - An asset and liability process has been put in place to manage the risks and returns expected from the insurance obligations. - Selectively using derivative to either hedge the portfolio against adverse market movements or reduce reinvestment risk.
Credit	Unexpected losses in the market value of the portfolio due to deterioration in the credit quality of counterparties including their failure to meet payment obligations or due to non-performance of instruments.	- Credit analyses are conducted prior to purchase and regular review on portfolio. - Investment activity is strictly governed by the pre-approved limits to ensure the diversification of investment portfolio in order to minimise the impact of default by any single counterparty. - Only uses pre-approved reinsurance partners with strong credit profiles.
Underwriting	Unexpected financial losses due to inadequacy of premiums for catastrophe and non-catastrophe risks, due to the inadequacy of reserves or due to the unpredictability of mortality or longevity.	- Managed through a comprehensive and strict standard for underwriting limit guidelines. Where necessary, the risk will be surveyed by the loss control engineers. - Regular monitoring of products, assumptions used against actual industry statistics and re-pricing will be considered if necessary. - Adequate reinsurance is purchased and reviewed annually to ensure adequate continuous cover within acceptable appetite and costs. - New products undergo a robust product development process.
Business	Unexpected decrease in actual results as compared to business assumptions, which leads to a decline in income without a corresponding decrease in expenses; this includes lapse risk.	- Regular monitoring of actual experience. - New products undergo a robust product development review process.

Statement on Risk Management and Internal Control

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

Key Risks	Broad Definition	Risk Management Practices
Legal and Regulatory	Losses arising from a breach of relevant laws and regulations.	• Trainings will be provided and annual declarations required from all staff. • New guidelines will be published in the Group's staff e-portal and highlighted through e-mails. • Regular reviews are conducted to ensure compliance.
Information Security	Information security breach losses triggered by both information technology ("IT") and non-IT leading to loss of data confidentiality, loss of data integrity, as well as business disruption and loss of availability of services resulting in legal costs, fines, forensic costs, remediation costs, compensation and/or reputation management costs.	• Strict policy and disciplinary action for security breach. • Staff awareness on IT Security and Privacy. • Access Control. • Regular review on User ID access. • Use of virus protection software. • Data Loss Prevention solution. • Conduct of Annual Penetration Testing by independent party to detect possible external and internal vulnerabilities. • IT security controls in place, such as Firewall, Malware Protection and Distributed Denial-of-Service protection. • Privilege Identity Management. • Database encryption. • Privacy Impact Assessment. • Data privacy contractual obligations for Service Providers.

(ii) Operational Risk Management ("ORM")

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

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

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

(iii) Reputational Risk Management

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

The Group has adopted Allianz SE Group's Allianz Standard for Reputational Risk Management which establishes a core set of principles and processes for the management of reputational risks within the Group. The management of direct reputational risks requires balancing the benefits of a given business decision against the potential reputational impacts, taking into account the Group's reputational risk strategy and Environmental, Social and Governance approach. Indirect reputational risks are managed through the TRA as well as risk and control self-assessment processes, which apply the same reputational risk assessment methodology used for direct reputational risks.

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

Statement on Risk Management and Internal Control

(iv) Liquidity Risk Management

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

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

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

ICAAP is an overall process by which the insurance OEs adopted to ensure it has adequate capital to meet its capital requirements which reflects its own risk profile on an on-going basis. The formal assessment is conducted at least on an annual basis and its results are reported to the Board of the insurance OE.

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

The ITCL is validated by stress testing to ensure that it will still be above the Supervisory Target Capital Level imposed by the regulator even after the occurrence of a severe plausible event demonstrating a focus on balance sheet strength and protection of shareholders' value. A Capital Management Plan ("CMP") was drawn up with the objective to optimise risk and return, while maintaining sufficient level of capital in accordance with the insurance OE's risk appetite and regulatory requirements. The CMP identified the action plans and sources of capital that are available for a pre-determined ITCL thresholds if they are triggered to bring the capital adequacy ratio above the internal soft threshold level.

(vi) Stress Testing

Stress test is an effective risk management tool and the Group conducts such stress test regularly. The stress test process is designed based on the respective insurance OEs' solvency position, lines of business, current position within the market, investment policy, business plan and general

economic conditions. The results of the stress test will then be incorporated into the respective insurance OEs' capital management plan, in determining the extent of capital affected by the threats arising from adverse events and the actions required to mitigate such threats.

The Boards and Management of the insurance OEs participated actively in providing feedback on the stress test results and appropriateness of the methodology and assumptions adopted to perform the stress test for the respective insurance OEs.

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 are centralised at Allianz Malaysia Berhad Board level. The Board Committees have the authority to examine matters under their terms of reference and report to the respective Board of the OEs with their observations and/or recommendations. The ultimate responsibility for the decision on all matters, however, lies with the respective Board of the OEs.
- Various Management Committees are established by the Management of the insurance OEs to assist in managing the day-to-day operations and ensure its effectiveness. The Management Committees formulate tactical plans and business strategies, monitor performance and ensure activities are carried out in accordance with corporate objectives, strategies, business plans and policies as approved by the respective Board of the insurance OEs.

Management Authority Limit

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

04 Statement on Risk Management and Internal Control

- The Management's authority limits include limits for underwriting of risks, claims settlement, reinsurance, and capital expenditures and are reviewed and updated to ensure relevance to the Group's operations. Such authority limits are documented and made available to all staff via the Group's staff e-portal.
- In ensuring that the decision making process is transparent and to the best interest of the Group, all Directors and staff including the Chief Executive Officer are required to declare their interest in other entities on an annual basis. In addition, they are also required to disclose to the Group, any circumstance that may give rise to a conflict of interest situation during the course of carrying out their duties.
- A due diligence working group was formed to review the related party transactions and submit its recommendations in accordance to the levels of authority as determined by the respective OE's Board for consideration. The AC will review the related party transactions that falls within its authority limit and submit its recommendation to the respective OE's Board for consideration.
- The AC also review the related party transaction review procedures on an annual basis to ensure that the procedures and processes are sufficient and adequate to monitor, track and identify related party transactions including recurrent transactions in a timely and orderly manner.

Policies and Procedures

- Clear, formalised and documented internal policies and procedures are in place to ensure continued compliance with internal controls and relevant rules and regulations imposed by the relevant authorities.
- These policies and procedures are subject to review and improvement to reflect changing risks and process enhancement, as and when required. Policies and procedures are also made available via the Group's staff e-portal for easy access by the employees.
- The insurance OEs employ high standards in their respective underwriting process. This includes among others, risk segmentation and selection, setting adequate pricing and terms and conditions, setting of right retention limit and adequate reinsurance protection.
- Underwriting authority is controlled centrally at the Head Office level. Reinsurance is in place primarily to ensure that no single loss or aggregation of losses arising from a single event will have an adverse financial impact on the Group. Reinsurers selection is guided by the guidelines issued by the regulator and the Allianz SE Group. Reinsurance needs are reviewed annually in respect of reinsurance treaties and on case to case basis on facultative arrangements.

Annual Business Plan and Performance Review

- Annual business plans are submitted to the respective Board of the OEs for approval. Financial condition and business performance reports are also submitted to the respective Board of the OEs for review during the Board meetings. These reports cover all key operational areas and provide a sound basis for the respective Board of the OEs to assess the financial performance of the OEs and to identify potential problems or risks faced by the OEs, thus enabling the respective Board of the OEs to effectively monitor on an on-going basis, the affairs of the respective OEs.
- Financial control procedures are put in place and are documented in the procedural workflows of each business unit. These workflows are subject to reviews and improvements to reflect changing risks and process enhancement as and when required.

Related Party Transactions

- The Group has established the necessary controls and procedures to ensure compliance with the relevant regulatory requirements in respect of related party transaction. Necessary disclosures are made to the respective Board of the OEs and where required, prior approval of the respective Board of the OEs and/or shareholders for the transactions will be obtained prior to execution.
- The Investment Committee of the insurance OEs are responsible for setting investment policies, objectives, guidelines and controls for the Investment Department. The Investment Department is responsible for managing the investment functions of the Group within the pre-determined parameters.
- The Group has in place the Group Investment Manual which sets out the detailed investment procedures and controls, including an Investment Code of Ethics to ensure that the Group's interests prevail over the personal interests of the employees.

Underwriting and Reinsurance

Financial Control Procedures

Investment

Statement on Risk Management and Internal Control

- The investment limits are set at various levels with limits which are more stringent than the regulatory limits as prescribed by BNM. The investment limits are monitored monthly to ensure compliance with the investment limits as specified in the Risk Based Capital Framework for Insurers issued by BNM.
- The investment performance reports are amongst the reports submitted to the Investment Committee and the Board of the insurance OEs for review at its quarterly meetings.

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

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

Anti-Money Laundering/Counter Financing of Terrorism ("AML/CFT") and Targeted Financial Sanctions

- The Group has in place internal policies and procedures relating to AML/CFT to prevent and detect money laundering and terrorism financing activities. In life insurance OE, these include customer due diligence, screening against sanctions list and suspicious transaction reporting to the Compliance Department whereas in general insurance OE, sanctions list screening procedures are in place and any suspicious transactions are reported to the Compliance Department. In respect of education, staff and agents of life insurance OE are trained on AML/CFT requirements to promote understanding of their fundamental responsibilities in adhering to the procedures of verifying customers' identities and reporting of suspicious transactions.

Product Development

- The insurance OEs have each in place a Product Development Management Policy ("PDM Policy") which sets out the policies and procedures on product development in accordance with the requirements of the Guideline on Introduction of New Products by Insurers and Takaful Operators (BNM/RH/STD 029-10) issued by BNM ("BNM Product Guidelines").
- The PDM Policy aims to promote sound risk management practices in managing and controlling product risk by ensuring the appropriate assessment and mitigation of risk during the development and marketing stages. The PDM Policy will also

assist to ensure that the products developed and marketed by the respective insurance OEs are appropriate to the needs, resources and financial capability of the targeted consumer segments.

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

Whistleblowing and Anti-Fraud

- The oversight of whistleblowing and fraud matters of the Group is performed by the Company's Integrity Committee ("InC"). The InC coordinates all activities concerning prevention and detection of fraud and handling of whistleblowing incidents.
- The Group has adopted the Allianz SE Group's Anti-Fraud Policy ("Allianz SE AFP") and the Allianz SE Group's Whistleblowing Policies and Procedures ("Allianz SE WBPP") to address fraud and whistleblowing issues respectively. The Allianz SE AFP defines fraud events, investigation process, reporting procedures, fraud risk assessments, training and the roles and responsibilities of Management and employees. The Allianz SE WBPP on the other hand, describes the Group's Speak-Up Policy, avenues for filing a concern and handling of whistleblowing incidents.

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

The effectiveness of the whistleblowing policies and procedures are reviewed periodically at least once in 3 years.

Anti-Corruption

- The Group has adopted a localised Anti-Corruption Policy ("Policy") that outlines the guiding principles of Allianz SE, Malaysian Anti-Corruption Commission Act 2009 ("MACC Act") and MMLR with effect from 16 June 2020. Prior to that, the Group adopted the Allianz SE Group's Anti-Corruption Policy and MACC Act. The Policy 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, charitable contributions, joint ventures and outsourcing agreements as well as facilitation payments.

Corruption risk is being assessed annually and the effectiveness of the policies and procedures are reviewed periodically at least once in 3 years.

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

Employees

- All staff are required to make an annual declaration that they fulfilled the minimum criteria of "A Fit and Proper Person" as prescribed in Sections 59(1), (2) and (3) of the Financial Services Act, 2013. In addition, all staff are also required to attest that they understand and comply with the requirements of the following internal guidelines and policies:-

- (i) Related Party Transaction Declaration;
- (ii) Disclosure of Data;
- (iii) Conflict of Interest;
- (iv) Code of Conduct for Business Ethics and Compliance;
- (v) IT Security Policy and Guideline e-Awareness Declaration;
- (vi) Anti-Corruption Policy;
- (vii) Anti-Fraud Awareness Declaration; and
- (viii) Guidelines on the Code of Conduct for the General Insurance Industry and Code of Ethics and Conducts for the Life Insurance Industry.

Sales Standard and Sales Agent Code of Conduct

- The Group's insurance intermediaries are guided by the Allianz SE Sales Standard and Allianz SE Singapore Branch ("AZAP") Sales Agent Code of Conduct in order to promote professional sales conduct of intermediaries representing the Group. The Group has established an Ethics and Compliance Committee in insurance OEs to deal with intermediary behaviour that are contrary to the Sales Standard and AZAP Sales Agent Code of Conduct.
- In addition, agents of the insurance OEs are also required to comply with the Code of Ethics and Conduct imposed by the respective insurance associations.
- All internal control deficiencies or breaches related to the Sales Policy and Sales Agent Code of Conduct are reported to the respective Senior Management Committees of the insurance OEs together with corrective measures.

Agent Sales Disciplinary Policy

- As part of the measures to improve uniformity in disciplining the agency force, insurance OEs have each formalised a Sales 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 and Disaster Recovery Plan is conducted at least once a year.

Information System

- All employees are required to strictly abide by and comply with the Group Information Technology and Information Security Policy and Standard ("IT and IS Policy") which establishes core principles, responsibilities, tasks and organisational framework for IT and Information Security, in order to facilitate the fulfilment of internal and regulatory requirements.
- Following the issuance of Risk Management in Technology Policy Document ("RMiT Policy") by BNM effective since 1 January 2020, which superseded the Guidelines on Management of IT Environment (GPIS 1) and Guidelines on Internet Insurance (Consolidated) (BNM/RH/GL/003-5), the insurance OEs are committed to remedy the gaps to meet the expectations and requirements prescribed under the RMiT Policy. Accordingly, two new frameworks were implemented, i.e., the formulation of Technology Risk Management Framework and Cyber Resilience Framework, which were approved by the Board on 16 June 2020.
- The IT & Digital Steering Committee ("ITDSC") is responsible for the overall strategic deployment of IT and digital assets in tandem with the business objectives. Other duties and responsibilities of ITDSC include, establishing effective IT and digital plans, formulation and implementation of technology risks management program, recommending to the respective Senior Management Committees, RMC and Board (whichever applicable) for approval on IT-related expenditure and material deviation from technology-related policies, as well as monitoring the progress of approved IT and digital programs/projects.

Statement on Risk Management and Internal Control

Data Management Framework

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

Data Privacy

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

Human Resources Policies and Procedures

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

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

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad's MMLR, the external auditors have reviewed this Statement pursuant to the scope set out in Recommended Practice Guide ("RPG") 5 (Revised 2015), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants for inclusion in the annual report of the Group for the year ended 31 December 2020, and in their limited assurance review, they have reported to the Board that nothing has come to their attention that cause them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

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

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

Conclusion

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

This Statement is made in accordance with the resolution of the Board dated 24 February 2021.

Additional Compliance Information

1. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

During the financial year ended 31 December 2020, there were no proceeds raised from corporate proposals.

2. MATERIAL CONTRACTS

Allianz Malaysia Berhad ("AMB" or "Company") and its subsidiaries (collectively referred to as "Group") have not entered into any material contracts involving the interest of the Directors, Chief Executive Officer who is not a Director or major shareholders, which is either still subsisting at the end of the financial year ended 31 December 2020 or, had been entered into since the end of the previous financial year.

3. ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2021

3.1 ORDINARY SHARES

Number of Issued Shares : 177,168,939
 Class of Shares : Ordinary shares
 Voting Rights : One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Shares
Less than 100	207	4.68	1,585	0.000
100 to 1,000	2,479	56.00	1,137,829	0.64
1,001 to 10,000	1,333	30.11	4,958,015	2.80
10,001 to 100,000	340	7.68	9,137,451	5.16
100,001 to less than 5% of issued shares	67	1.51	46,571,764	26.29
5% and above of issued shares	1	0.02	115,362,295	65.11
Total	4,427	100.00	177,168,939	100.00

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS AS PER THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

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	65.11	-	-
Employees Provident Fund Board	10,036,000	5.67	-	-

Additional
Compliance Information

3. ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2021 (CONTINUED)

3.1 ORDINARY SHARES (CONTINUED)

30 LARGEST SHAREHOLDERS AS IN THE RECORD OF DEPOSITORS

No.	Name of Shareholders	No. of Shares Held	% of Shares
1	CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	115,362,295	65.11
2	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	6,781,300	3.83
3	PERTUBUHAN KESELAMATAN SOSIAL	5,176,422	2.92
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	3,612,300	2.04
5	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	3,011,800	1.70
6	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN)	2,913,000	1.64
7	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN)	2,808,400	1.59
8	WOO KHAI YOON	2,050,000	1.16
9	LEMBAGA TABUNG ANGKATAN TENTERA	1,453,800	0.82
10	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	1,199,100	0.68
11	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 14)	1,190,300	0.67
12	NEOH CHOO EE & COMPANY, SDN. BERHAD	842,500	0.48
13	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR CITIBANK NEW YORK (NORGES BANK 19)	841,800	0.48
14	AMANAHRAYA TRUSTEES BERHAD PUBLIC STRATEGIC SMALLCAP FUND	802,200	0.45
15	LIM SU TONG @ LIM CHEE TONG	802,000	0.45
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (RB-TNB-AHAM) (420317)	711,100	0.40
17	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM MAYBANK) (412183)	656,800	0.37
18	AMANAHRAYA TRUSTEES BERHAD PUBLIC SECTOR SELECT FUND	509,300	0.29

Additional Compliance Information

3. ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2021 (CONTINUED)

3.1 ORDINARY SHARES (CONTINUED)

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

No.	Name of Shareholders	No. of Shares Held	% of Shares
19	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	500,000	0.28
20	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR MANULIFE INVESTMENT - HW FLEXI FUND (270519)	475,200	0.27
21	MAYBANK NOMINEES (TEMPATAN) SDN BHD NATIONAL TRUST FUND (IFM AFFINHWANG) (410195)	462,400	0.26
22	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AFFIN ABSR EQ)	442,000	0.25
23	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD EXEMPT AN FOR AFFIN HWANG ASSET MANAGEMENT BERHAD (TSTAC/CLNT-T)	440,517	0.25
24	AMANAHRAYA TRUSTEES BERHAD PUBLIC SELECT TREASURES EQUITY FUND	423,300	0.24
25	AMANAHRAYA TRUSTEES BERHAD PB SMALLCAP GROWTH FUND	391,600	0.22
26	HSBC NOMINEES (ASING) SDN BHD BPSS SIN FOR ABERDEEN STANDARD MALAYSIAN EQUITY FUND (BPTSSL)	344,800	0.19
27	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON)	341,700	0.19
28	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NOBLE SOUND SDN BHD (PB)	325,000	0.18
29	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR PERTUBUHAN KESELAMATAN SOSIAL (AFF HWG6939-403)	303,425	0.17
30	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR UOB KAY HIAN PTE LTD (A/C CLIENTS)	295,300	0.17

Additional Compliance Information

3. ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2021 (CONTINUED)

3.2 IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

Number of Issued ICPS	:	169,036,846
Class of Shares	:	Preference shares
Voting Rights	:	The ICPS holders shall carry no right to vote at any general meeting of the Company except for the following circumstances:-
		(a) when the dividend or part of the dividend on the ICPS is in arrears for more than 6 months;
		(b) on a proposal to wind-up the Company;
		(c) during the winding-up of the Company;
		(d) on a proposal that affect the rights attached to the ICPS;
		(e) on a proposal to reduce the Company's share capital; or
		(f) on a proposal for the disposal of the whole of the Company's property, business and undertaking

In any such cases, the ICPS holders shall be entitled to vote together with the holders of ordinary shares and exercise 1 vote for each ICPS held.

DISTRIBUTION OF ICPS HOLDINGS

Size of Holdings	No. of ICPS Holders	% of ICPS Holders	No. of ICPS Held	% of ICPS
Less than 100	24	3.10	498	0.00
100 to 1,000	405	52.32	144,505	0.08
1,001 to 10,000	229	29.59	872,790	0.52
10,001 to 100,000	91	11.76	2,720,927	1.61
100,001 to less than 5% of issued ICPS	24	3.10	21,095,258	12.48
5% and above of issued ICPS	1	0.13	144,202,868	85.31
Total	774	100.00	169,036,846	100.00

SUBSTANTIAL SHAREHOLDER'S ICPS HOLDINGS

Name of Substantial Shareholder	Direct Interest		Indirect Interest	
	No. of ICPS Held	% of ICPS	No. of ICPS Held	% of ICPS
Allianz SE	144,202,868	85.31	-	-

Additional Compliance Information

3. ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2021 (CONTINUED)

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

30 LARGEST ICPS HOLDERS AS IN THE RECORD OF DEPOSITORS

No.	Name of ICPS Holders	No. of ICPS Held	% of ICPS
1	CITIGROUP NOMINEES (ASING) SDN BHD ALLIANZ SE	144,202,868	85.31
2	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR PUBLIC REGULAR SAVINGS FUND (N14011940100)	5,624,400	3.33
3	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	3,458,500	2.05
4	AMANAHRAYA TRUSTEES BERHAD PUBLIC SMALLCAP FUND	2,771,000	1.64
5	PERTUBUHAN KESELAMATAN SOSIAL	2,504,300	1.48
6	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR AFFIN HWANG SELECT OPPORTUNITY FUND (3969)	1,556,458	0.92
7	OLIVE LIM SWEE LIAN	1,079,900	0.64
8	HSBC NOMINEES (ASING) SDN BHD CACEIS BANK FOR HMG GLOBETROTTER	687,900	0.41
9	AU YONG MUN YUE	500,000	0.30
10	DB (MALAYSIA) NOMINEE (ASING) SDN BHD DEUTSCHE BANK AG SINGAPORE FOR PANGOLIN ASIA FUND	341,100	0.20
11	MAYBANK NOMINEES (TEMPATAN) SDN BHD MTRUSTEE BERHAD FOR TENAGA NASIONAL BERHAD RETIREMENT BENEFIT TRUST FUND (FM-ABERDEEN) (419500)	285,700	0.17
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEONG JIIN CHEANG (E-BBB)	220,000	0.13
13	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SU MING KEAT	220,000	0.13
14	LOH CHAI KIAM	204,000	0.12
15	AMSEC NOMINEES (TEMPATAN) SDN BHD AMBANK (M) BERHAD FOR LIM SU TONG @ LIM CHEE TONG (8335-1101)	200,000	0.12
16	DB (MALAYSIA) NOMINEE (ASING) SDN BHD STATE STREET LUXEMBOURG FUND WLKG FOR GOODHART PARTNERS HORIZON FUND - HMG GLOBAL EMERGING MARKETS EQUITY FUND	200,000	0.12
17	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR NOBLE SOUND SDN BHD (PB)	175,000	0.10
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG	157,800	0.09

Additional
Compliance Information

3. ANALYSIS OF SHAREHOLDINGS AS AT 12 APRIL 2021 (CONTINUED)

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

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

No.	Name of ICPS Holders	No. of ICPS Held	% of ICPS
19	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. (RETAIL CLIENTS)	150,000	0.09
20	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR KEGANI PACIFIC LTC FUND L.P.	133,100	0.08
21	LIM TEAN KAU	128,000	0.08
22	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YONG CHEN KONG @ JOSEPH YONG (E-IMO)	125,100	0.07
23	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB FOR KATHRYN MA WAI FONG (PB)	125,000	0.07
24	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HII YU HO	125,000	0.07
25	EVERGREEN ANGLE SDN BHD	123,000	0.07
26	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOKE PIK WAH (MY0288)	100,000	0.06
27	INSAS PLAZA SDN BHD	90,900	0.05
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR PHUA KIAP WITE (E-KTN)	88,700	0.05
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG GOON KHING (E-JCL)	80,000	0.05
30	SAI YEE @ SIA SAY YEE	73,000	0.04

Additional Compliance Information

4. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2020 OWNED BY THE GROUP

No.	Location	Existing Use	Tenure	Built-up Area (Sq. meters)	Type of Building	Age of Building	Latest Date of revaluation	Net Book Value RM'000
1	Block 3A, Plaza Sentral Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Wilayah Persekutuan		Freehold		Corporate office	18 years		
	Level 10 and 12	Head office		1,493			07/04/2016	15,840
	Level 13A	Head office		745			20/09/2017	7,332
	Level 13 & 15	Head office		1,493			17/09/2020	15,944
2	Wisma Allianz 33, Jalan Gereja 50100 Kuala Lumpur Wilayah Persekutuan	Branch office	Lot PT1- Leasehold Expiring 06/09/2072	3,672	Office building	39 years	17/10/2016	3,769
			Lot 263 Freehold			37 years	17/10/2016	6,863
3	Wisma Allianz Life No. 11, 12, 13 and 14 Jalan 53 Desa Jaya Commercial Centre Taman Desa, Kepong 52100 Kuala Lumpur Wilayah Persekutuan	Branch office	Leasehold Expiring 08/03/2081	2,500	Terrace shop/ office	21 years	31/10/2019	9,366
4	No. 42 & 46, Jalan Tiara 2C Bandar Baru Klang, Klang 41150 Selangor Darul Ehsan	Branch office	Leasehold Expiring 08/05/2093	1,228	Terrace shop/ office	17 years	26/11/2015	4,501
5	Unit Nos. A-G-1, A-1-1, A-2-1, A-2-2 Block A, Greentown Square Jalan Dato' Seri Ahmad Said, Ipoh 30450 Perak Darul Ridzuan	Branch Office/ Investment properties	Leasehold Expiring 01/10/2102	884	Commercial building	16 years	15/10/2020	2,904
6	No. 487, Jalan Permatang Rawa Bandar Perda Bukit Mertajam, 14000 Penang	Branch office	Freehold	758	4-storey shop office	17 years	25/11/2015	1,988
7	No. 15, Jalan 8/1D Section 8, 46050 Petaling Jaya, Selangor	Branch office	Leasehold Expiring 07/08/2066	697	Terrace shop/ office	18 years	1/11/2016	1,964

Additional Compliance Information

4. LIST OF TOP TEN PROPERTIES AS AT 31 DECEMBER 2020 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
8	No. 300 & 301 Jalan Lumpur, 05100 Alor Star, Kedah Darul Aman	Branch office	Freehold	1,088	3 storey shophouse	16 years	19/10/2016	1,810
9	Lot G-1-1, G-1-2 & G-1-3 No.11, Jalan Tiara 2D/Kui Bdr Baru Klang, 41150 Klang	Branch office	Leasehold Expiring 08/05/2093	525	3 storey shophouse	12 years	1/11/2016	1,497
10	Lot No. 285, Pajakan Negeri No. 2451, Kawasan Bandar XXXIX Daerah Melaka Tengah	For rental	Leasehold Expiring 24/10/2082	937	3 storey shophouse	35 years	13/10/2016	1,485

Additional Compliance Information

5. RECURRENT RELATED PARTY TRANSACTIONS

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2020 were as follows:-

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
1	Reinsurance arrangements between the Company's insurance subsidiaries and Allianz SE Group where the risk and premium are shared between the parties in accordance with the reinsurance arrangements entered into between the parties*	**Allianz SE Group	(244,370)
2	Payment of annual maintenance and support fees by the Company's life insurance subsidiary to Allianz Technology SE ("Allianz Technology") for the software system provided by Allianz Technology	**Allianz Technology	(420)
3	Payment of fees by the Company's life insurance subsidiary to Allianz Technology for sharing of Human Resource database platform	**Allianz Technology	55
4	Payment of fees by the Company's general insurance subsidiary to Allianz Technology for purchasing of various software licenses	**Allianz Technology	(8,268)
5	Engagement of Allianz Technology, Munich branch Wallisellen for the support and maintenance support service on the Company's life insurance subsidiary Expert Underwriting System	**Allianz Technology	(289)
6	Payment of fees by the Company's life insurance subsidiary to Allianz Technology for the leasing of license services of Thunderhead solution for the implementation of E-Policy	**Allianz Technology	(174)
7	Payment of fees by the Company's life insurance subsidiary to IDS GmbH ("IDS") for conducting performance attribution analysis	**IDS	(128)
8	Investment and redemption of funds (including fund management fees) distributed by Allianz Global Investors Singapore Limited ("AGI") by the Company's life insurance subsidiary	**AGI	1,157
9	Payment of fees by the Company's insurance subsidiaries to Allianz Investment Management Singapore Pte Ltd ("AIM Singapore") for investment advisory services provided by AIM Singapore	**AIM Singapore	(2,610)
10	Payment of fees by the Company's life insurance subsidiary 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	(747)
11	Payment of fees by the Company's life insurance subsidiary to Allianz Investment Management SE ("AIM SE") and IDS for IT infrastructure and operational investment controlling and support services	**AIM SE	(205)
12	Payment of fees by the Company's life insurance subsidiary to AIM SE for supporting advisory services in various areas of the investment process	**AIM SE	(161)

Additional Compliance Information

5. RECURRENT RELATED PARTY TRANSACTIONS (CONTINUED)

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2020 were as follows:-

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
13	Payment of fees by the Company's insurance subsidiaries to Allianz SE Singapore Branch ("AZAP") for the business building advisory services and regional investment provided by AZAP	** AZAP	(3,051)
14	Payment of fees by the Company's general insurance subsidiary to AZAP for subscription of ABACUS, an enterprise architect software	** AZAP	(29)
15	Payment of fees by the Company's insurance subsidiaries to AZAP for sharing of marketing measures undertaken by Allianz SE	** AZAP	(2,657)
16	Payment of fees by the Company's life insurance subsidiary to AZAP for sharing of Global Procurement (excluding IT) services and support rendered by Allianz SE	** AZAP	(125)
17	Payment of fees by the Company's life insurance subsidiary to Allianz SE on the support of design and development for Global Digital Factory	**Allianz SE	(63)
18	Payment of fees by the Company's insurance subsidiaries to Allianz SE for IT security services	**Allianz SE	(284)
19	Payment of fees by the Company's general insurance subsidiary to Allianz SE to support the development and improvement of technical excellence	**Allianz SE	(2,596)
20	Payment of fees by the Company's life insurance subsidiary to Allianz SE for the implementation of global cyber insurance solution	**Allianz SE	(51)
21	Payment of service fees by the Company's general insurance subsidiary to Allianz Worldwide Partners Services Sdn Bhd ("AWP") for road assistance services provided by AWP to the policyholders of the Company's general insurance subsidiary	**AWP	(1,794)
22	Operational fees received by the Company's general insurance subsidiary for the services rendered by the Company's general insurance subsidiary to Euler Hermes Singapore Services Pte Ltd ("EHS")	**EHS	2,000
23	Fees received by the Company for providing audit services to Allianz SE Group under the Regional Audit Hub	**Allianz SE Group	91
24	Fees received by the Company for providing life actuarial modeling services to Allianz SE Group under the Regional Actuarial Center of Competence	**Allianz SE Group	1,525
25	Payment of fees by the Company's life insurance subsidiary to Allianz SE for the development of Allianz One Finance Programme	**Allianz SE	(39)
26	Payment of fees by the Company's life insurance subsidiary to Allianz Technology for the implementation of Allianz Global Network	**Allianz Technology	(137)

Additional Compliance Information

5. RECURRENT RELATED PARTY TRANSACTIONS (CONTINUED)

The recurrent related party transactions of a revenue or trading nature entered into by the Group during the financial year ended 31 December 2020 were as follows:-

No.	Nature of Recurrent Related Party Transactions	Name of Related Parties	Income/ (Expenses) RM'000
27	Payment of annual maintenance fees by the Company's life insurance subsidiary to Allianz Technology for SAP Central Accounting Platform/Investment Management Accounting	**Allianz Technology	1,478
28	Payment of fees by the Company's life insurance subsidiary to Allianz Technology to support the implementation and maintenance of infrastructure for actuarial modeling and recharge of cost incurred to Allianz SE Group	**Allianz Technology	(105)
29	Payment of fees by the Company's life insurance subsidiary to Allianz Technology for the purchase of Actuarial Reporting Group Object	**Allianz Technology	(212)
30	Fees received by the Company's for providing Master Data Management support services to Allianz SE Group	**Allianz SE Group	291
31	Payment of annual membership fees by the Company's life insurance subsidiary to Allianz Global Benefits GmbH ("AGB") for participating in the Allianz International Employee Benefits Network	**AGB	(49)
32	Payment of fees to Allianz Technology for the implementation and support service of Data Center Consolidation for the Company's life insurance subsidiary	**Allianz Technology	(814)
33	Payment of fees by the Company's life insurance subsidiary to Allianz Technology for sharing of Group Intranet Access and Group Directory International through Allianz Global Network services	**Allianz Technology	263
34	Payment of fees by the Company's life insurance subsidiary to Allianz Technology for information technology security services provided by Allianz Technology	**Allianz Technology	(1,035)
35	Fees received by the Company's general insurance subsidiary for providing reinsurance and Midcorp services to Allianz SE Reinsurance Branch Asia Pacific ("Allianz Re")	**Allianz RE	441
36	Payment of fees by the Company's insurance subsidiaries to Rapidpro Consulting Sdn Bhd ("Rapidpro") for consulting and training services rendered by Rapidpro	**Rapidro	(990)

Notes:-

- * As the Group is in the insurance business, the figures do not include payment obligations arising from claims duly made pursuant to any insurance policies issued.
- ** Deemed to be related parties to the Company via Allianz SE's direct interest as the major shareholder of the Company.

Income/(expense) as disclosed above is net of any reversal during the year

OUR FINANCIAL PERFORMANCE

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Directors' Report

for the year ended 31 December 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group (Allianz Malaysia Berhad and its subsidiaries) and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

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

RESULTS

	Group RM'000	Company RM'000
Net profit for the year attributable to owners of the Company	520,325	274,445

DIVIDENDS

Since the end of the previous financial year, the amount of dividends paid by the Company were as follows:

(i) In respect of the financial year ended 31 December 2019:

Interim Dividend

- a single tier interim dividend of 61.20 sen per Irredeemable Convertible Preference Share ("ICPS") totaling RM103,623,000 were paid on 14 February 2020;
- a single tier interim dividend of 51.00 sen per ordinary share totaling RM90,213,000 were paid on 14 February 2020;

Special Dividend

- a single tier special dividend of 16.80 sen per ICPS totaling RM28,445,000 were paid on 14 February 2020; and
- a single tier special dividend of 14.00 sen per ordinary share totaling RM24,764,000 were paid on 14 February 2020.

(ii) In respect of the financial year ended 31 December 2020:

Interim Dividend

- a single tier interim dividend of 69.60 sen per ICPS totaling RM117,845,000 were paid on 18 February 2021; and
- a single tier interim dividend of 58.00 sen per ordinary share totaling RM102,595,000 were paid on 18 February 2021.

The Directors do not recommend any final dividend to be paid for the financial year under review.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

Directors' Report

for the year ended 31 December 2020

DIRECTORS OF THE COMPANY

Directors who served during the financial year until the date of this report are:

Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman)
 Tunku Zain Al-'Abidin Ibni Tuanku Muhriz
 Solmaz Altin
 Claudia Salem
 Peter Ho Kok Wai
 Goh Ching Yin (Appointed on 1 July 2020)
 Gerard Lim Kim Meng (Appointed on 1 January 2021)
 Marzida Binti Mohd Noor (Resigned on 1 March 2020)
 Dato' Dr. Thillainathan A/L Ramasamy (Retired on 30 June 2020)

LIST OF DIRECTORS OF THE SUBSIDIARIES

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the list of Directors of the subsidiaries during the financial year and during the period from the end of the financial year to the date of this report is as follows:

Allianz Life Insurance Malaysia Berhad

Goh Ching Yin (Chairman)
 Dato' Dr. Thillainathan A/L Ramasamy (Retired on 30 June 2020)
 Peter Ho Kok Wai
 Anusha Thavarajah (Appointed on 16 June 2020)
 Dato' Dr. Kantha A/L Rasalingam (Appointed on 8 July 2020)
 Joseph Kumar Gross (Resigned on 16 June 2020)
 Datuk Gnanachandran A/L S. Ayadurai (Resigned on 10 December 2020)

Allianz General Insurance Company (Malaysia) Berhad

Tan Sri Datuk (Dr.) Rafiah Binti Salim (Chairman)
 Tunku Zain Al-'Abidin Ibni Tuanku Muhriz
 Goh Ching Yin (Resigned on 30 June 2020)
 Zakri Bin Mohd Khir
 Dr. Muhammed Bin Abdul Khalid (Appointed on 10 August 2020)
 Datuk Gnanachandran A/L S. Ayadurai (Resigned on 10 December 2020)

DIRECTORS' INTERESTS IN SHARES

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

	Number of registered share			
	At 1.1.2020	Bought	Sold	At 31.12.2020
Interest in the Ultimate Holding Company, Allianz SE				
Claudia Salem	-	1 ^(a)	-	1

Note:

^(a) Free share granted during the financial year under Allianz Free Share Program

Saved as disclosed above, none of the other Directors holding office as at 31 December 2020 had any interest in the ordinary shares and/or ICPS of the Company and of its related corporations during the financial year.

Directors' Report

for the year ended 31 December 2020

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those fees and other benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Note 29.2 to the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

HOLDING COMPANY

The Directors regard Allianz SE, a public listed company incorporated and domiciled in Germany, as the Company's holding company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

ISSUE OF SHARES

During the financial year, the Company increased its ordinary shares to 176,888,839 by the issuance of 1,200 ordinary shares pursuant to the conversion of 1,200 ICPS. Accordingly, the ICPS of the Company was reduced to 169,316,946 as at 31 December 2020. As at 31 December 2020, the total share capital of the Company amounted to RM771,028,887.

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

Save as disclosed above, there were no other changes in the issued share capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

INDEMNITY AND INSURANCE COSTS

The Group and the Company maintain a Directors' and Officers' Liability Insurance for the purpose of Section 289(5) of the Companies Act 2016 in Malaysia, throughout the year, which provides appropriate insurance cover for the Directors and Officers of the Company. The amount of insurance premium paid during the financial year amounted to RM60,773.

There was no indemnity given to, or insurance effected for auditors of the Company in respect of the liability for any act or omission in their capacity as auditors of the Company during the financial year.

However, in the ordinary course of business of a subsidiary in the underwriting of all classes of general insurance business, provided a professional indemnity insurance to its auditors during the financial year.

Directors' Report

for the year ended 31 December 2020

OTHER STATUTORY INFORMATION

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

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

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

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

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

- (i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year, other than those disclosed in Note 42 to the financial statements.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due. For the purpose of this paragraph, contingent liabilities and other liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of the financial year and the date of this report.

Directors' Report

for the year ended 31 December 2020

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) have expressed their willingness to accept re-appointment as auditors.

The auditors' remuneration is disclosed in Note 29 to the financial statements.

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

.....
Goh Ching Yin
Director

.....
Peter Ho Kok Wai
Director

Kuala Lumpur
Date: 24 February 2021

Statements of Financial Position

as at 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Assets					
Property, plant and equipment	3	107,478	87,284	1,178	796
Right-of-use assets	4	58,042	74,335	-	-
Intangible assets	5	358,490	370,580	-	-
Investment properties	6	-	20,155	-	-
Investments in subsidiaries	7	-	-	961,088	961,088
Subordinated loan	8	-	-	-	54,300
Reinsurance assets	9	895,553	926,586	-	-
Investments	10	18,729,603	16,085,347	22,624	5,906
Derivative financial assets	11	81,738	62,177	-	-
Current tax assets		12,972	12,584	36	-
Insurance receivables	12	199,651	195,352	-	-
Other receivables, deposits and prepayments	13	161,085	164,196	286,414	210,913
Deferred acquisition costs	14	116,170	111,423	-	-
Cash and cash equivalents		1,175,963	1,600,053	11,059	21,927
Total assets		21,896,745	19,710,072	1,282,399	1,254,930
Equity					
Share capital					
– Ordinary shares	15	232,601	232,597	232,601	232,597
– Irredeemable Convertible Preference Shares	15	538,428	538,432	538,428	538,432
Reserves	16	3,260,477	2,902,540	287,481	233,476
Total equity attributable owners of the Company		4,031,506	3,673,569	1,058,510	1,004,505
Liabilities					
Insurance contract liabilities	17	16,053,272	14,422,224	-	-
Deferred tax liabilities	18	434,972	356,014	83	135
Derivative financial liabilities	11	301	1,244	-	-
Lease liabilities	19	42,785	57,124	-	-
Insurance payables	20	489,117	424,051	-	-
Other payables and accruals	21	837,381	769,750	223,806	250,048
Current tax liabilities		7,411	6,096	-	242
Total liabilities		17,865,239	16,036,503	223,889	250,425
Total equity and liabilities					
		21,896,745	19,710,072	1,282,399	1,254,930

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

Statements of Profit or Loss

for the year ended 31 December 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Operating revenue	22	5,945,711	5,534,374	281,216	203,148
Gross earned premiums	23(a)	5,233,240	4,848,449	-	-
Premiums ceded to reinsurers	23(b)	(362,584)	(346,188)	-	-
Net earned premiums		4,870,656	4,502,261	-	-
Investment income	24	712,471	685,925	281,216	203,148
Realised gains and losses	25	30,291	(8,710)	-	-
Fair value gains and losses	26	39,933	340,447	-	-
Fee and commission income	27(a)	31,137	55,437	-	-
Other operating income		34,880	51,826	171	234
Investment and other income		848,712	1,124,925	281,387	203,382
Gross benefits and claims paid	28(a)	(2,286,969)	(2,494,310)	-	-
Claims ceded to reinsurers	28(b)	119,732	172,269	-	-
Gross change in contract liabilities	28(c)	(1,344,359)	(1,242,316)	-	-
Change in contract liabilities ceded to reinsurers	28(d)	(17,412)	42,755	-	-
Net benefits and claims		(3,529,008)	(3,521,602)	-	-
Fee and commission expense	27(b)	(774,584)	(737,626)	-	-
Management expenses	29	(641,438)	(617,971)	(6,558)	(6,418)
Interest expense	30	(1,733)	(2,541)	-	-
Other operating expenses		(42,975)	(55,302)	(5)	(1)
Other expenses		(1,460,730)	(1,413,440)	(6,563)	(6,419)
Profit before tax		729,630	692,144	274,824	196,963
Tax expense	31	(209,305)	(199,666)	(379)	(890)
Profit for the year		520,325	492,478	274,445	196,073
Profit for the year attributable to:					
Owners of the Company		520,325	492,478	274,445	196,073
Basic earnings per ordinary share (sen)	32(a)	227.53	203.87		
Diluted earnings per ordinary share (sen)	32(b)	150.29	142.29		

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 2020

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Profit for the year		520,325	492,478	274,445	196,073
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value of available-for-sale financial assets					
Net gains arising during the financial year		260,431	304,972	-	-
Realised gains transferred to profit or loss		(48,118)	(17,468)	-	-
(Losses)/Gains on cash flow hedge		(4,085)	20,960	-	-
Tax effects thereon		(26,970)	(38,574)	-	-
Change in insurance contract liabilities arising from net fair value change on					
AFS financial assets	17(a)	(138,800)	(200,584)	-	-
Cash flow hedge reserve	17(a)	4,085	(20,960)	-	-
Tax effects thereon	17(a)	10,777	17,724	-	-
Items that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment and right-of-use assets		-	1,500	-	-
Tax effects thereon		-	(120)	-	-
Change in insurance contract liabilities arising from revaluation	17(a)	-	(1,099)	-	-
Tax effects thereon	17(a)	-	88	-	-
Reversal of deferred tax on revaluation surplus of land and buildings upon disposal		732	-	-	-
Total other comprehensive income for the year, net of tax		58,052	66,439	-	-
Total comprehensive income for the year, net of tax		578,377	558,917	274,445	196,073
Total comprehensive income attributable to:					
Owners of the Company		578,377	558,917	274,445	196,073

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

Statements of Changes in Equity

for the year ended 31 December 2020

Group	Note	Attributable to owners of the Company						
		Non-distributable				Distributable		
		Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings - Life non- participating fund surplus* RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2020		232,597	538,432	42,303	77,446	971,897	1,810,894	3,673,569
Fair value of AFS financial assets		-	-	-	57,320	-	-	57,320
Disposal of land and buildings		-	-	(3,738)	-	-	3,738	-
Reversal of deferred tax on revaluation surplus		-	-	-	-	-	732	732
Profit for the year		-	-	-	-	165,423	354,902	520,325
Total comprehensive income for the year		-	-	(3,738)	57,320	165,423	359,372	578,377
Contributions by and distributions to owners of the Company								
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		4	(4)	-	-	-	-	-
Dividends to owners of the Company	33	-	-	-	-	-	(220,440)	(220,440)
Total transactions with owners of the Company		4	(4)	-	-	-	(220,440)	(220,440)
At 31 December 2020		232,601	538,428	38,565	134,766	1,137,320	1,949,826	4,031,506

* Non-distributable retained earnings comprise non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

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

Statements of Changes in Equity

for the year ended 31 December 2020

Group	Note	Attributable to owners of the Company					
		Non-distributable			Distributable		
		Ordinary shares RM'000	Irredeemable Convertible Preference Shares RM'000	Revaluation reserve RM'000	Fair value reserve RM'000	Retained earnings - Life non-participating fund surplus* RM'000	Total equity RM'000
At 1 January 2019		231,964	539,065	41,934	11,376	752,903	3,361,697
Total other comprehensive income for the year		-	-	369	66,070	-	66,439
Profit for the year		-	-	-	-	218,994	492,478
Total comprehensive income for the year		-	-	369	66,070	218,994	558,917
Contributions by and distributions to owners of the Company							
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		633	(633)	-	-	-	-
Dividends to owners of the Company	33	-	-	-	-	(247,045)	(247,045)
Total transactions with owners of the Company		633	(633)	-	-	(247,045)	(247,045)
At 31 December 2019		232,597	538,432	42,303	77,446	971,897	3,673,569
	Note 15	Note 15	Note 15	Note 16.1	Note 16.2	Note 16	Note 16

* Non-distributable retained earnings comprise non-participating fund surplus, net of deferred tax, which is wholly attributable to the shareholders. This amount is only distributable upon the actual transfer of surplus from the life non-participating fund to the Shareholder's fund as recommended by the Appointed Actuary and approved by the Board of Directors of the life insurance subsidiary.

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

Statements of Changes in Equity

for the year ended 31 December 2020

Company	Note	Attributable to owners of the Company			
		Non-distributable		Distributable	
		Share capital RM'000	Irredeemable Convertible Preference Shares RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2019		231,964	539,065	284,448	1,055,477
Profit for the year		-	-	196,073	196,073
Total comprehensive income for the year		-	-	196,073	196,073
<i>Contributions by and distributions to owners of the Company</i>		-	-	-	-
Conversion of Irredeemable Convertible Preference Shares to ordinary shares					
Transfer from share premium on 31 Dec 2017		633	(633)	-	-
Dividends to owners of the Company	33	-	-	(247,045)	(247,045)
Total transactions with owners of the Company		633	(633)	(247,045)	(247,045)
At 31 December 2019 / 1 January 2020		232,597	538,432	233,476	1,004,505
Profit for the year		-	-	274,445	274,445
Total comprehensive income for the year		-	-	274,445	274,445
<i>Contributions by and distributions to owners of the Company</i>		-	-	-	-
Conversion of Irredeemable Convertible Preference Shares to ordinary shares		-	-	-	-
Transfer from share premium on 31 Dec 2017		4	(4)	-	-
Dividends to owners of the Company	33	-	-	(220,440)	(220,440)
Total transactions with owners of the Company		4	(4)	(220,440)	(220,440)
At 31 December 2020		232,601	538,428	287,481	1,058,510
		Note 15	Note 15	Note 16	

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

Statements of Cash Flows

for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before tax	729,630	692,144	274,824	196,963
<i>Adjustments for:</i>				
Investment income	(712,471)	(685,925)	(281,216)	(203,148)
Interest income	(511)	(706)	-	-
Interest expense	1,733	2,541	-	-
Realised (gains)/losses from financial assets recorded in profit or loss	(30,113)	9,115	-	-
Fair value gains on financial assets recorded in profit or loss	(177,639)	(359,293)	-	-
Purchase of available-for-sale ("AFS") financial investments	(2,302,879)	(1,245,946)	-	-
Maturity of AFS financial investments	420,475	739,192	-	-
Proceeds from sale of AFS financial investments	898,564	416,679	-	-
Purchase of designated upon initial recognition ("DUIR") financial investments	(855,510)	(381,391)	-	-
Maturity of DUIR financial investments	213,030	202,066	-	-
Proceeds from sale of DUIR financial investments	101,350	151,048	-	-
Purchase of held for trading ("HFT") financial investments	(2,367,347)	(1,277,036)	-	-
Maturity of HFT financial investments	172,200	155,050	-	-
Proceeds from sale of HFT financial investments	1,287,943	396,735	-	-
Decrease/(Increase) in loans and receivables	48,324	(385,861)	(16,585)	(3,853)
(Increase)/Decrease in fair value of investment	140	(241)	-	-
Unrealised foreign exchange (gain)/loss	2904	(238)	-	-
Depreciation of property, plant and equipment	14,001	15,488	315	350
Depreciation of right-of-use assets	17,877	18,154	-	-
Amortisation of intangible assets	23,580	20,110	-	-
Gains on disposal of property, plant and equipment	(178)	(405)	-	-
Impairment loss on AFS financial investments	137,566	19,087	-	-
Property, plant and equipment written off	81	1,128	-	1
Allowance for impairment loss on reinsurance asset	(8)	-	-	-
Insurance and other receivables:				
- Bad debts written off	7,205	236	-	-
- (Reversal of)/Allowance for impairment loss	(7,575)	3,007	-	-
- Bad debts recovered	(119)	(54)	-	-
Operating loss before changes in working capital	(2,377,747)	(1,495,316)	(22,662)	(9,687)

Statements of Cash Flows

for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Changes in working capital:				
Decrease/(Increase) in reinsurance assets	31,041	(22,582)	-	-
(Increase)/Decrease in insurance receivables	(2,223)	32,649	-	-
Decrease/(Increase) in other receivables, deposits and prepayments	2,525	(13,483)	4,332	12,009
Increase in insurance contract liabilities	1,507,110	1,427,520	-	-
Increase in deferred acquisition costs	(4,747)	(16,363)	-	-
Increase/(Decrease) in insurance payables	65,066	(3,719)	-	-
Increase in other payables and accruals	94,236	105,382	363	249
Cash (used in)/generated from operations	(684,739)	14,088	(17,967)	2,571
Tax paid	(155,658)	(121,796)	(709)	(777)
Dividends received	68,125	82,734	199,822	159,630
Interest income received	638,456	595,235	1,428	3,318
Interest paid on lease liabilities	(1,733)	(2,541)	-	-
Net cash (used in)/generated from operating activities	(135,549)	567,720	182,574	164,742
Cash flows from investing activities				
Proceeds from disposal of property, plant and equipment	995	5,185	-	-
Proceeds from disposal of right of use asset	1,812	-	-	-
Acquisition of property, plant and equipment	(15,954)	(14,827)	(697)	(295)
Acquisition of right of use asset	(117)	-	-	-
Acquisition of intangible assets	(10,614)	(35,692)	-	-
Proceeds from disposal of intangible assets	-	6,375	-	-
Net cash used in investing activities	(23,878)	(38,959)	(697)	(295)
Cash flows from financing activities				
Dividends paid to owners of the Company	(247,045)	(152,044)	(247,045)	(152,044)
Interest paid	-	-	-	-
Repayment of advance to holding company	-	-	54,300	-
Repayment of lease liabilities	(17,618)	(16,299)	-	-
Net cash used in financing activities	(264,663)	(168,343)	(192,745)	(152,044)
Net (decrease)/ in cash and cash equivalents	(424,090)	360,418	(10,868)	12,403
Cash and cash equivalents at 1 January	1,600,053	1,239,635	21,927	9,524
Cash and cash equivalents at 31 December	1,175,963	1,600,053	11,059	21,927

Statements of Cash Flows

for the year ended 31 December 2020

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash and cash equivalents comprise:				
Fixed and call deposits with licensed financial institutions (with maturity of less than three months)	1,119,267	1,538,291	9,410	20,487
Cash and bank balances	56,696	61,762	1,649	1,440
	1,175,963	1,600,053	11,059	21,927

Included in the fixed and call deposits are RM 69,118,000 (2019: RM69,091,000) held as cash collateral for guarantees issued on behalf of the policyholders (Note 20).

GROUP AND COMPANY

Reconciliation of liabilities arising from financing activities

	Lease liabilities RM'000	Total RM'000
At 1 January 2019	69,332	69,332
Cash flows	(18,841)	(18,841)
Interest charge	2,541	2,541
Lease additions	4,092	4,092
At 31 December 2019/1 January 2020	57,124	57,124
Cash flows	(19,351)	(19,351)
Interest charge	1,733	1,733
Lease additions	2,424	2,424
Modification/Termination of lease	855	855
At 31 December 2020	42,785	42,785

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

Notes to the Financial Statements

PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

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

Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2020 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 2020 do not include other entities.

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

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

The financial statements were authorised for issue by the Board of Directors on 24 February 2021.

Notes to the Financial Statements

1. BASIS OF PREPARATION**1.1 Statement of compliance**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, amendments to standards and interpretations that have been issued by Malaysian Accounting Standards Board ("MASB") for the financial year beginning on or after 1 January 2020 and adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 101, *Presentation of Financial Statements – Definition of Material*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*
- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 9, MFRS 139, MFRS 7 – *Interest Rate Benchmark Reform*
- Amendments to MFRS 4, *Extension of the Temporary Exemption from Applying MFRS 9*

The following are accounting standards, amendments to standards and interpretations that have been issued by MASB but not yet effective and have not been early adopted by the Group and the Company:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 16, *COVID-19 Related Rent Concessions*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 116, *Proceeds before Intended Use*
- Amendments to MFRS 3, *Reference to Conceptual Framework*
- Amendments to MFRS 137, *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvement to MFRSs 2018 – 2022 Cycle effective for annual periods beginning on or after 1 January 2022

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023

- Amendments to MFRS101, *Classification of liabilities and current or non-current*
- MFRS 17, *Insurance Contracts*

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

1.1 Statement of compliance (continued)

MFRS 17, *Insurance Contracts*

MFRS 17 replaces the guidance in MFRS 4, *Insurance Contracts*.

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. Insurance contracts (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ("CSM") representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that related to financial risks either in profit or loss or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- (a) Simplified Premium Allocation Approach if the insurance coverage period is a year or less; and
- (b) Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims. Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The Group is currently assessing the financial impact that may arise from the adoption of MFRS 17.

Except as mentioned above, the initial application of other new standards, amendments to standards or interpretations issued by MASB effective for periods subsequent to 1 January 2021 are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

1.2 Basis of measurement

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

1.3 Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

Notes to the Financial Statements

1. BASIS OF PREPARATION (CONTINUED)

1.4 Use of estimates and judgements

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

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

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

Note 2.25.1 – Valuation of general insurance claims liabilities

Note 2.25.2 – Valuation of life actuarial liabilities

Note 2.25.3 – Impairment of goodwill

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.25.

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

2.1 Basis of consolidation

2.1.1 Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Group and the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

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

On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments is recognised in profit or loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of consolidation

2.1.2 Business combinations

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

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

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

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

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

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

2.1.3 Loss of control

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

2.1.4 Transactions eliminated on consolidation

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

2.2 Foreign currency transactions and balances

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

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency transactions and balances (continued)

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

2.3 Property, plant and equipment

2.3.1 Recognition and measurement

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

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

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

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

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

Surpluses arising from revaluation are credited to revaluation reserve account via the statement of other comprehensive income. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is recognised in profit or loss.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour.

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

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Property, plant and equipment (continued)

2.3.1 Recognition and measurement (continued)

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

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

2.3.2 Subsequent costs

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

2.3.3 Depreciation

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

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for intangible assets are as follows:

Buildings	50 years
Office equipment, computers, furniture and fittings	2 to 10 years
Motor vehicles	5 years
Office renovations and partitions	10 years

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

Leased assets (including leasehold land) are presented as a separate line item in statement of financial position. See accounting policy Note 2.5.1 on right-of-use assets for these assets.

Notes to the Financial Statements

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

Goodwill arising from business combinations is measured at cost less any accumulated impairment losses. See accounting policy in Note 2.7.3 to the financial statements on impairment of goodwill.

2.4.2 Development costs

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

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

2.4.3 Other intangible assets

Intangible assets, other than goodwill, that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses.

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

2.4.4 Subsequent expenditure

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

2.4.5 Amortisation

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

Goodwill with indefinite useful lives is not amortised but is tested for impairment annually and whenever there is an indication that it may be impaired. See accounting policy in Note 2.7.3 on impairment of goodwill.

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

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

Capitalised software development costs	3 to 5 years
Other intangible assets	6 to 18 years

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

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases

2.5.1 Accounting by lessee

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities.

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at valuation/cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The Group applies the fair value model to ROU assets that meet the definition of investment property of MFRS 140 consistent with those investment properties owned by the Group. Refer to Note 2.8 for accounting policy on investment properties.

The Group presents ROU assets that meet the definition of investment property in the statement of financial position as investment property. ROU assets that are not investment properties are presented as a separate line item in the statement of financial position.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Leases (continued)

2.5.1 Accounting by lessee (continued)

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include fixed payments (including in-substance fixed payments), less any lease incentive receivable.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the interest expenses in profit or loss in the statement of profit or loss.

Short term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise photocopiers. Payments associated with short-term leases of equipment and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

2.5.2 The Group and the Company as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

Operating lease

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

Sublease classification

When the Group is an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments

Group

2.6.1 Initial recognition and measurement

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

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

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

2.6.2 Financial instruments categories and subsequent measurement

The Group categorises and measures financial instruments as follows:

Financial assets

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

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

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

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

(b) Loans and receivables, excluding insurance receivables

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

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

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)*****(c) Available-for-sale financial assets**

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

(d) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost using the effective interest method.

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

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

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.3 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

2.6.4 Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

The Group enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.6 Financial instruments (continued)****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.

2.6.6 Company**Classification**

The Company classifies its financial assets in the following measurement categories:

- (a) those to be measured subsequently at fair value (either through other comprehensive income ('OCI') or through profit or loss), and
- (b) those to be measured at amortised cost.

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ('FVTPL'), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

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Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.6 Company (continued)

Debt instruments (continued)

There are three measurement categories into which the Company can classify its debt instruments:

(a) Amortised cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest on the principal outstanding ("SPPI") are measured at amortised cost. Interest income from these financial assets is included in investment income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in realised gains and losses together with foreign exchange gains and losses. Impairment losses are included in other operating expenses.

(b) Fair value through other comprehensive income ('FVOCI')

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in realized gains and losses. Interest income from these financial assets is included in investment income using the effective interest rate method. Impairment expenses are included in other operating expenses.

(c) Fair value through profit or loss ('FVTPL')

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss and presented net within fair value gains and losses in the period which it arises.

Subsequent measurement – Impairment

The Company assesses on a forward-looking basis the expected credit loss ('ECL') associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company has the following types of financial assets that are subject to the ECL model:

- Investments
- Other receivables
- Cash and cash equivalents

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.6 Financial instruments (continued)****2.6.6 Company (continued)****Subsequent measurement – Impairment (continued)**

While the above financial assets are subject to the impairment requirements of MFRS 9, the assessed impairment loss was immaterial.

ECL represent a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Company expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach for ECL

At each reporting date, the Company measures ECL through loss allowance at an amount equal to 12 month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required.

Significant increase in credit risk

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the debtor
- significant increases in credit risk on other financial instruments of the same debtor
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial instruments (continued)

2.6.6 Company (continued)

Definition of default and credit-impaired financial assets

The Company defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria:

The Company defines a financial instrument as default, when the counterparty fails to make contractual payment within 90 days of when they fall due.

Qualitative criteria:

The debtor meets unlikelihood to pay criteria, which indicates the debtor is in significant financial difficulty. The Company considers the following instances:

- the debtor is in breach of financial covenants
- concessions have been made by the lender relating to the debtor's financial difficulty
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganization
- the debtor is insolvent

Financial instruments that are credit-impaired are assessed on individual basis. Subordinated loan to subsidiary is assessed on individual basis for ECL measurement, as credit risk information is obtained and monitored based on each loan to subsidiary.

Write-off

The Company writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Company may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

2.7 Impairment

2.7.1 Financial assets, excluding insurance receivables (Group)

All financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of the financial asset is estimated.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.7 Impairment (continued)****2.7.1 Financial assets, excluding insurance receivables (Group) (continued)**

An impairment loss in respect of loans and receivables (excluding insurance receivables as set out in Note 2.7.2 below) is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the financial asset's acquisition cost (net of any principal repayment and amortisation) and the financial asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale are not reversed through profit or loss.

If, in a subsequent financial period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the financial asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

2.7.2 Insurance receivables

Insurance receivables are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. An objective evidence of impairment is deemed to exist where the principal or interest or both for insurance receivables is past due for more than 90 days or 3 months for those individually assessed, as prescribed in the Guidelines on Financial Reporting for Insurers issued by Bank Negara Malaysia ("BNM").

An impairment loss in respect of insurance receivables is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account.

If, in a subsequent period, the fair value of insurance receivables increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the insurance receivable's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Impairment (continued)

2.7.3 Other assets

The carrying amounts of other assets (except for investment properties that are measured at fair value and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill that has indefinite useful lives, the recoverable amount is estimated usually at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (known as "cash-generating unit"). For the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a *pro rata basis*.

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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.8 Investment properties****2.8.1 Investment properties carried at fair value**

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

2.8.2 Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment properties following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income and accumulated in equity as a revaluation reserve. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its deemed cost for subsequent accounting.

2.8.3 Determination of fair value

An external, independent valuation firm, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the investment properties portfolio annually.

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

The determination of the fair values involves a degree of judgement. As such, the fair value of the investment properties may be different from its actual market price.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Cash and cash equivalents and placements with financial institutions

Cash and cash equivalents consist of cash on hands, balances and deposits held at call with financial institutions and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group and the Company in the management of their short term commitments.

2.10 Equity instruments

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

2.10.1 Ordinary share capital

Ordinary share capital is classified as equity.

2.10.2 Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Company's option, and any dividends are discretionary. Dividends thereon are recognised as distributions within equity.

Preference share capital is classified as financial liability if it is redeemable on a specific date or at the option of the equity holders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss as accrued.

2.10.3 Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and accounted for in the equity as an appropriation of retained earnings when they are approved for payment.

Dividends for the year that are approved after the end of the reporting period are dealt with as a subsequent event.

2.11 Provisions

A provision is recognised if, as a result of a past event, the Group and the Company have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote. Contingent liabilities do not include liabilities arising from contracts of insurance underwritten in the ordinary course of business of the Group.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Other financial liabilities and insurance payables

Other financial liabilities and insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

2.13 Product classification

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

The insurance subsidiaries issue insurance contracts that transfer significant insurance risk. These contracts may also transfer financial risk.

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

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

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

Once a contract has been classified as an insurance contract, it remains as an insurance contract for the remainder of its life-time, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expired. Investment contracts can, however, be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance and investment contracts (if any) are further classified as being either with or without discretionary participation features ("DPF"). DPF is a contractual right to receive, as a supplement to guaranteed benefits, additional benefits that are:

- likely to be a significant portion of the total contractual benefits;
- whose amount or timing is contractually at the discretion of the issuer; and
- that are contractually based on the:
 - performance of a specified pool of contracts or a specified type of contract;
 - realised and/or unrealised investment returns on a specified pool of assets held by the issuer; or
 - profit or loss of the company, fund or other entity that issues the contract.

Under the terms of the contracts, surpluses in the DPF funds can be distributed on a discretion over the amount and timing of the distribution of these surpluses to policyholders. All DPF liabilities, including unallocated surpluses, both guaranteed and discretionary, at the end of the reporting period are held within insurance or investment contract liabilities, as appropriate. Surplus of contracts without DPF is attributable wholly to shareholders and is classified as an equity of the Group.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Product classification (continued)

For financial options and guarantees which are not closely related to the host insurance contract and/or investment contract with DPF, bifurcation and unbundling are required to measure these embedded derivatives separately at fair value through profit or loss. However, bifurcation is not required if the embedded derivative is itself an insurance contract and/or investment contract with DPF, or if the host insurance contract and/or investment contract itself is measured at fair value through profit or loss.

When insurance contracts contain both a financial risk component and a significant insurance risk component and the cash flows from the two components are distinct and can be measured reliably, the underlying amounts are unbundled. Any premiums relating to the insurance risk component are accounted for on the same basis as insurance contracts and the remaining element is accounted for as a deposit through the statements of financial position similar to investment contracts.

2.14 Reinsurance

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

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

Ceded reinsurance arrangements do not relieve the insurance subsidiaries from their obligations to policyholders. Premiums ceded and claims reimbursed/recoveries are recognised in the same accounting period as the original policy/contract in which the reinsurance relates, and are presented on a gross basis for both ceded and assumed reinsurance in the statement of profit or loss and statement of financial position.

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

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

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

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

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective interest method when accrued.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.15 General insurance underwriting results**

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premium reserves and claims incurred.

2.15.1 Premium income**(a) Gross premiums**

Gross premiums are recognised in a financial period in respect of risks assumed during that particular financial period.

(b) Reinsurance premiums

Inwards facultative reinsurance premiums are recognised in the financial period in respect of the facultative risks assumed during that particular financial period, as in the case of direct policies, following the individual risks' inception dates.

Inwards treaty reinsurance premiums comprise both proportional and non-proportional treaties. In respect of reinsurance premiums relating to proportional treaties, it is recognised on the basis of periodic advices received from the cedants given that the periodic advices reflect the individual underlying risks being incepted and reinsured at various inception dates of these risks and contractually accounted for, as such to reinsurers under the terms of the proportional treaties.

In respect of reinsurance premiums relating to non-proportional treaties which cover losses occurring during a specified treaty period, the inwards treaty reinsurance premiums are recognised based on the contractual premiums already established at the start of the treaty period under the non-proportional treaty contract.

2.15.2 Unearned premium reserves ("UPR")

Unearned premium reserves ("UPR") represent the portion of the net premiums of insurance policies written that relate to the unexpired periods of the policies at the end of the financial period.

In determining UPR at the end of the reporting period, the method that most accurately reflects the actual unearned premium used is as follows:

- 25% method for marine cargo, aviation cargo and transit
- 1/24th method (or other more accurate) for all other classes of Malaysian general policies
- 1/8th method for all other classes of overseas inward treaty business
- Non-annual policies are time-apportioned over the period of the risks

2.15.3 Claims and expenses

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance.

The amount of outstanding claims is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligation at the end of the reporting period.

Provision is also made for the cost of claims, together with related expenses, incurred but not reported at the end of the reporting period, using a mathematical method of estimation.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 General insurance underwriting results (continued)

2.15.4 Acquisition costs and deferred acquisition cost ("DAC")

The gross costs of acquiring and renewing insurance policies and income derived from ceding reinsurance premiums are recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

Subsequent to initial recognition, deferred acquisition cost is amortised/allocated to the periods according to the original policies which give rise to income. Amortisation is recognised in profit or loss.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in profit or loss. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

2.15.5 General insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

Claims liabilities

Claims liabilities are recognised in respect of both direct insurance and inward reinsurance. Claims liabilities refer to the obligation by the insurance subsidiary, whether contractual or otherwise to make future payments in relation to all claims that have been incurred as at valuation date (See Note 2.25.1). These include provision for claims reported, claims incurred but not reported ("IBNR"), claims incurred but not enough reserved ("IBNER") together with related claims handling costs. Claims liabilities consist of the best estimate value of the claim liabilities and the Provision of Risk Margin for Adverse Deviation ("PRAD") at a 75% confidence letter as required by BNM, calculated at the overall insurance subsidiary level. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserve is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled.

Premium liabilities

Premium liabilities is the higher of the aggregate of the UPR and the best estimate value of the insurer's unexpired risk reserves ("URR") at the valuation date and the PRAD at a 75% confidence letter as required by BNM, calculated at the overall insurance subsidiary level.

The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

The URR is the prospective estimate of the expected future payments arising from future events insured under policies in force at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance, expected to be incurred for administering these policies and settling the relevant claims, and expected future premium refunds.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.16 Life insurance underwriting results****2.16.1 Surplus of Life fund**

The surplus transferable from the Life fund to profit or loss of Shareholders' fund is based on the surplus determined by an annual actuarial valuation of the liabilities to policyholders, made in accordance with the provisions of the Financial Services Act, 2013 by the insurance subsidiary's appointed actuary.

2.16.2 Gross premiums

Gross premiums are recognised as soon as the amount of the premiums can be reliably measured. First premium is recognised from inception date and subsequent premium is recognised when it is due.

At the end of the financial year, all due premiums are accounted for to the extent that they can be reliably measured. Premiums not received on due dates are recognised as revenue in profit or loss and reported as outstanding premiums in the statements of financial position.

2.16.3 Reinsurance premiums

Gross reinsurance premiums on ceded reinsurance are recognised as an expense when payable or on the date on which the policy is effective.

2.16.4 Benefits, claims and expenses

Benefits and claims that are incurred during the financial year are recognised when a claimable event occurs and/or the insurer is notified.

Benefits and claims, including settlement costs, are accounted for using the case-by-case method and for this purpose, the amounts payable under a policy are recognised as follows:

- maturity and other policy benefit payments due on specified dates are treated as claims payable on the due dates;
- death, surrender and other benefits without due dates are treated as claims payable, on the date of receipt of intimation of death of the assured or occurrence of contingency covered; and
- bonus on DPF policy upon its declaration.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contracts.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Life insurance underwriting results (continued)

2.16.5 Life insurance contract liabilities

(i) Actuarial liabilities

Life actuarial liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities are measured by using a prospective actuarial valuation method (See Note 2.25.2). The liability is determined as the sum of the present value of future guaranteed benefits and, in the case of the participating life policy, appropriate level of non-guaranteed benefits, and the expected future management and distribution expenses, less the present value of future gross considerations arising from the policy discounted at the appropriate risk discount rate. The liability is based on best estimate assumptions and with due regard to significant recent experience. An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

The liability in respect of policies of a participating insurance contract is taken as the higher of the guaranteed benefit liabilities or the total benefit liabilities at the insurance fund level derived as stated above.

In the case of a life policy where a part of, or the whole of the premiums are accumulated in a fund, the accumulated amount, as declared to the policy owners, are set as the liabilities if the accumulated amount is higher than the figure as calculated using the prospective actuarial valuation method.

For non-unit liability of investment-linked policy, the liability is valued by projecting future cash flows to ensure that all future outflows can be met without recourse to additional finance or capital support at any future time during the duration of the investment-linked policy.

In the case of a 1-year life policy or a 1-year extension to a life policy covering contingencies other than death or survival, the liability for such life insurance contracts comprises the provision for unearned premiums or unexpired risks, as well as for claims outstanding, which includes an estimate of the incurred claims that have not yet been reported to the insurance subsidiary.

Adjustments to the liabilities at each reporting date are recorded in profit or loss. Profits originated from margins of adverse deviations on run-off contracts, are recognised in profit or loss over the life of the contract.

The liability is derecognised when the contract expires, is discharged or is cancelled.

(ii) Benefit and claims liabilities

Benefit and claims liabilities represent the amounts payable under a life insurance policy in respect of claims and benefits including settlement costs, and are accounted for using the case by-case method as set out above under benefits and claims expenses.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**2.16 Life insurance underwriting results (continued)****2.16.5 Life insurance contract liabilities (continued)**

(iii) Unallocated surplus

Surpluses of contracts with DPF are distributable to policyholders and shareholders in accordance with the relevant terms under the insurance contracts. The life insurance subsidiary, however, has the discretion over the amount and timing of the distribution of these surpluses to both the policyholders and shareholders. The amount and timing of the distribution of these surpluses is subject to the recommendation of the life insurance subsidiary's Appointed Actuary and is determined by an actuarial valuation of the long term liabilities to policyholders at the date of the statements of financial position and is made in accordance with the provision of the Financial Services Act, 2013 and related regulations.

Unallocated surplus of contracts with DPF, where the amount are yet to be allocated or distributed to either policyholders or shareholders by the end of the financial period, are held within the insurance contract liabilities.

(iv) Available-for-sale fair value reserve

Where unrealised gains or losses arise on AFS financial assets of the life participating fund, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities, is recognised directly in the other comprehensive income.

(v) Hedging reserve

Where unrealised gains or losses arise on cash flow hedge of the life participating fund, the adjustment to the insurance contract liabilities, equals to the effect that the realisation of those gains or losses at the end of the reporting years would have on those liabilities, is recognised directly in the other comprehensive income.

(vi) Asset revaluation reserve

Where asset revaluation reserve arises on the self-occupied properties of the DPF fund, the adjustment to the life insurance liabilities equal to the effect that the realisation of those surpluses at the end of the reporting period would have on those liabilities, is recognised directly in other comprehensive income.

(vii) Net asset value attributable to unitholders

The unit liability of investment-linked policy is equal to the net asset value of the investment-linked funds, which represents net premium received and investment returns credited to the policy less deduction for mortality and morbidity costs and expense charges.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Policy administration and investment management service income

Insurance contract policyholders are charged for policy administration services, investment management services, surrenders and other contract fees. These fees are recognised as income over the period in which the related services are performed.

Management fee income earned from the investment-linked business is recognised on an accrued basis based on the net asset value of the investment-linked funds.

2.18 Commission and agency expenses

Gross commission and agency expenses, which are costs directly incurred in securing premium on insurance policies, are charged to profit or loss in the period in which they are incurred.

2.19 Other revenue recognition

The following specific recognition criteria must also be met before revenue is recognised.

2.19.1 Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

2.19.2 Rental income

Rental income from investment properties and self-occupied properties are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income over the term of the lease on an accrual basis.

2.19.3 Dividend income

Dividend income is recognised in profit or loss on the date the Group's and the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

2.19.4 Realised gains and losses on investments

Realised gains and losses recorded in profit or loss on investments include gains and losses on disposal of financial assets and investment properties. Gains and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

2.20 Short-term employee benefits

Short-term employee benefits 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.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Short-term employee benefits (continued)

The Group's and the Company's contributions to the statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payment is available.

2.21 Provision for agent's retirement benefits

Provision for agent's retirement benefits is calculated accordance with the terms and conditions in the respective agent's agreements. The scheme is not separately funded. The Company pays fixed contributions into the Agency Provident Fund.

Provision for agent's retirement benefits is charged to profit or loss in the period in which it relates.

2.22 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity, insurance contract liabilities or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised in full using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax base. Deferred tax is not recognised if the temporary differences arise from the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Where investment properties are carried at their fair value in accordance with the accounting policy set out in Note 2.8.1, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Earnings per ordinary share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares in issue during the period. The profit or loss attributable to ordinary shareholders is adjusted for the after tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue adjusted for the effects of all dilutive potential ordinary shares, which comprise convertible notes.

2.24 Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

2.25 Significant accounting judgements, estimates and assumptions

2.25.1 Valuation of general insurance claims liabilities

For general insurance contracts, claims liabilities are the outstanding claims reserve required for the future settlement of losses on claims which have occurred but have yet to be fully settled. Claims liabilities fall into two categories: expected ultimate cost of claims reported and expected ultimate cost of claims incurred but not yet reported ("IBNR") at the end of the reporting period.

It can take a significant period of time before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form the majority of the statements of financial position liability. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornheutter-Ferguson methods.

The expected ultimate cost of claims reported are based on estimates of future payments that will be made with respect to individual claims. Such estimates are made on a case-by-case basis, based on the information available at the time the reserves are established. The estimates reflect the informed judgement of claims personnel based on general insurance reserving practices and knowledge of the nature and value of a specific type of claim.

These reserves are regularly re-evaluated in the ordinary course of the settlement process and adjustments are made as new information becomes available. IBNR reserves are established to recognise the estimated cost of losses that have occurred but where the Company has not yet been notified. The valuation of IBNR reserves is carried out by an Appointed Actuary approved by BNM using professional judgement in applying actuarial methodology and assumptions, based on the Company's current and past claims experience, taking into account the Company's underwriting practice and industry experience. IBNR reserves are estimated based on actuarial statistical projections of the expected cost of the ultimate settlement and administration of claims. The projections are based on available information at the time and include factors such as trends in claims frequency, severity and speed of settlement. IBNR reserves are reviewed and revised quarterly as additional information becomes available with the actual claims development.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Significant accounting judgements, estimates and assumptions (continued)

2.25.1 Valuation of general insurance claims liabilities (continued)

As with all projections, there are elements of uncertainty and thus the projected future claims experience may be different from its actual claims experience. These uncertainties may arise from changes in the underlying risks, changes in the spread of risk, changes in the speed of reporting and settlement of claims as well as the suitability of the methodology used in the projection model and its underlying assumptions.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 39.2.

2.25.2 Valuation of life actuarial liabilities

The actuarial valuation of life insurance contract liabilities is based on the Risk-Based Capital Framework for Insurers, issued by BNM. The actuarial valuation of the insurance liability arising from policy benefits made under life insurance contracts is the Company's most critical accounting estimate.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is included in the valuation of non-participating life policies, the guaranteed benefits liabilities of participating life policies and non-unit actuarial liabilities of investment-linked policies.

The risk-free discount rate is used for all cash flows to determine the liability of a non-participating life policy, non-unit actuarial liability of an investment-linked policy and guaranteed benefits insurance liability of participating policy. A discount rate based on the historical yield and future investment outlook of the participating fund, net of tax on investment income of the life fund is used for all cash flows to determine the total benefit liability of participating policies.

There are several sources of uncertainty in the estimation of these liabilities, including future mortality and morbidity rates, expenses, persistency and discount rates. These key assumptions used are based on past experiences, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information.

Such assumptions require judgment and therefore, actual experience may differ from the assumptions made by the Company. Actual experience is monitored to assess whether the assumptions remain appropriate and assumptions are changed as warranted. Any movement in the key assumptions will have an effect in determining the actuarial liabilities recognised in life insurance contract liabilities.

The key assumptions used and the sensitivity analysis on the key assumptions are disclosed in Note 39.1.

2.25.3 Impairment of goodwill

The Group assesses the impairment of goodwill on an annual basis in accordance with its accounting policy in Note 2.7.3. The recoverable amounts of the goodwill are determined based on the value in use method, which requires the use of estimates for cash flow projections. The key assumptions used in the assessment are disclosed in Note 5.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Fair value measurement

Fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date the event or change in circumstances that caused the transfers.

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 2019		10,369	46,983	1,659	125,921	2,133	34,901	2,849	224,815
Additions		-	-	-	7,175	70	1,901	5,681	14,827
Disposals		(2,069)	(1,451)	-	(63)	(389)	-	-	(3,972)
Written off		-	-	-	(15,154)	-	(6,446)	-	(21,600)
Reclassification [#]	5	-	-	-	1,855	-	1,906	(5,870)	(2,109)
Revaluation		-	20	-	-	-	-	-	20
At 31 December 2019/ At 1 January 2020		8,300	45,552	1,659	119,734	1,814	32,262	2,660	211,981
Additions		-	-	-	5,907	546	968	8,533	15,954
Disposals		-	(880)	-	(20)	(377)	(9)	(49)	(1,335)
Written off		-	-	-	(584)	-	(399)	-	(983)
Transfer from investment properties	6	900	19,115	-	-	-	-	-	20,015
Reclassification [#]	5	-	-	-	723	-	778	(2,377)	(876)
At 31 December 2020		9,200	63,787	1,659	125,760	1,983	33,600	8,767	244,756

* The carrying amounts of land and buildings are not segregated as the required information is not available.

[#] Certain work-in-progress were reclassified as software development costs (intangible assets) (See Note 5).

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Land and buildings* RM'000	Office equipment, computers, furniture and fittings RM'000	Motor vehicles RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
Depreciation									
At 1 January 2019		-	7,590	105	99,320	1,552	22,059	-	130,626
Depreciation for the year	29	-	1,633	37	10,907	279	2,632	-	15,488
Revaluation		-	(321)	-	-	-	-	-	(321)
Disposals		-	(254)	-	(62)	(308)	-	-	(624)
Written off		-	-	-	(14,817)	-	(5,655)	-	(20,472)
At 31 December 2019/ At 1 January 2020		-	8,648	142	95,348	1,523	19,036	-	124,697
Depreciation for the year	29	-	1,566	20	9,409	314	2,692	-	14,001
Disposals		-	(126)	-	(18)	(374)	-	-	(518)
Written off		-	-	-	(503)	-	(399)	-	(902)
At 31 December 2020		-	10,088	162	104,236	1,463	21,329	-	137,278
Carrying amounts									
At 1 January 2019		10,369	39,393	1,554	26,601	581	12,842	2,849	94,189
At 31 December 2019/ 1 January 2020, as restated		8,300	36,904	1,517	24,386	291	13,226	2,660	87,284
At 31 December 2020		9,200	53,699	1,497	21,524	520	12,271	8,767	107,478

* The carrying amounts of land and buildings are not segregated as the required information is not available.

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Office equipment, computers, furniture and fittings RM'000	Office renovations and partitions RM'000	Work-in- progress RM'000	Total RM'000
Cost					
At 1 January 2019		1,742	82	-	1,824
Additions		295	-	-	295
Disposals		(3)	-	-	(3)
Written off		(14)	-	-	(14)
At 31 December 2019/1 January 2020		2,020	82	-	2,102
Additions		182	18	497	697
Written off		(14)	-	-	(14)
At 31 December 2020		2,188	100	497	2,785
Depreciation					
At 1 January 2019		934	38	-	972
Depreciation for the year	29	343	7	-	350
Disposals		(3)	-	-	(3)
Written off		(13)	-	-	(13)
At 31 December 2019/1 January 2020		1,261	45	-	1,306
Depreciation for the year	29	307	8	-	315
Written off		(14)	-	-	(14)
At 31 December 2020		1,554	53	-	1,607
Carrying amounts					
At 1 January 2019		808	44	-	852
At 31 December 2019/1 January 2020		759	37	-	796
At 31 December 2020		634	47	497	1,178

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.1 Revaluation of properties

The Group's land and buildings were revalued in October 2016 & October 2019 by external independent qualified valuers using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the land and buildings are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered. Listings and offers may also be considered. There is no material change in fair value in 2020.

Had the land and buildings of the Group been carried at historical cost less accumulated depreciation, their carrying amounts would have been as follows:

Group	2020 RM'000	2019 RM'000
Land	7,096	3,095
Buildings	45,734	29,709
Land and buildings	2,145	1,253
	54,975	34,057

3.2 Fair value information

Fair value of land and buildings are categorised as follows:

Group	2020				2019			
	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	-	-	9,200	9,200	-	-	8,300	8,300
Buildings	-	-	53,699	53,699	-	-	36,904	36,904
Land and buildings	-	-	1,497	1,497	-	-	1,517	1,517
	-	-	64,396	64,396	-	-	46,721	46,721

Level 3 fair value

The Level 3 unobservable input used in the valuation of land and buildings is the price per square foot ("psf") which is derived from the selling price of comparable land and building, adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Notes to the Financial Statements

3. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

3.2 Fair value information (continued)

Land and buildings

	2020	2020	2019	2019
	Fair Value	Adjusted Price	Fair Value	Adjusted Price
Valuation technique used	RM'000	per sq foot RM/psf	RM'000	per sq foot RM/psf
Comparison Approach	64,396	223 – 2,643	46,721	223 – 2,643

4. RIGHT-OF-USE ASSETS

	Leasehold land RM'000	Buildings RM'000	Total RM'000
Group			
Valuation/Cost			
At 1 January 2019	20,187	69,332	89,519
Addition	-	4,200	4,200
Disposals	(1,514)	(159)	(1,673)
Revaluation	730	-	730
31 December 2019	19,403	73,373	92,776
Additions	-	2,424	2,424
Disposals	(1,770)	(26)	(1,796)
Modification/Termination of leases	-	(147)	(147)
At 31 December 2020	17,633	75,624	93,257
Depreciation			
At 1 January 2019	848	-	848
Depreciation for the year	410	17,744	18,154
Disposals	(82)	(50)	(132)
Revaluation	(429)	-	(429)
31 December 2019	747	17,694	18,441
Depreciation for the year	284	17,593	17,877
Disposals	(101)	-	(101)
Modification/Termination of leases	-	(1,002)	(1,002)
At 31 December 2020	930	34,285	35,215
Carrying amounts			
At 31 December 2019/1 January 2020	18,656	55,679	74,335
At 31 December 2020	16,703	41,339	58,042

Notes to the Financial Statements

4. RIGHT-OF-USE ASSETS (CONTINUED)

The Group leases a number of buildings for its office space and branches. The leases typically run for a period of 1 to 5 years, with options to renew the lease after that date. The lease agreements do not impose any covenants.

In 2020, the total cash outflow for leases amounts to RM19,351,000 and income from subleasing right-of-use assets amounts to RM71,000.

4.1 Right-of-use assets under the revaluation model

The leasehold land was last revalued in October 2019 by external independent qualified valuers using the Comparison Approach. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the leasehold land is compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

Had the leasehold land been carried at historical cost less accumulated amortisation, the carrying amounts would have been RM6,846,000.

4.2 Fair value information

Fair value of leasehold land is categorised as level 3 of the fair value hierarchy.

Level 3 fair value

The Level 3 unobservable input used in the valuation of leasehold land is the price per square foot ("psf") which is derived from the selling price of comparable land, adjusted for differences in location, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building erected thereon and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Leasehold land

Valuation technique used	2020	2020	2019	2019
	Fair Value RM'000	Adjusted price per sq foot RM/psf	Fair Value RM'000	Adjusted price per sq foot RM/psf
Comparison Approach	16,703	120 - 1,334	18,656	120 - 1,334

Notes to the Financial Statements

5. INTANGIBLE ASSETS

Group	Note	Goodwill RM'000	Software development costs RM'000	Other intangible assets RM'000	Total RM'000
Cost					
At 1 January 2019		244,600	67,590	117,495	429,685
Additions		-	8,192	27,500	35,692
Disposal		-	(6,375)	-	(6,375)
Reclassification	3	-	2,109	-	2,109
At 31 December 2019/1 January 2020		244,600	71,516	144,995	461,111
Additions		-	10,614	-	10,614
Disposals		-	-	-	-
Reclassification	3	-	876	-	876
At 31 December 2020		244,600	83,006	144,995	472,601
Amortisation					
At 1 January 2019		-	35,948	34,473	70,421
Amortisation for the year	29	-	10,380	9,730	20,110
At 31 December 2019/1 January 2020		-	46,328	44,203	90,531
Amortisation for the year	29	-	11,301	12,279	23,580
At 31 December 2020		-	57,629	56,482	114,111
Carrying amounts					
At 1 January 2019		244,600	31,642	83,022	359,264
At 31 December 2019/1 January 2020		244,600	25,188	100,792	370,580
At 31 December 2020		244,600	25,377	88,513	358,490
		Note 5.1	Note 5.2	Note 5.3	

5.1 Goodwill

The aggregate carrying amount of goodwill is attributable to the acquisition of the following subsidiaries:

Group	2020 RM'000	2019 RM'000
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	239,610	239,610
Allianz Life Insurance Malaysia Berhad ("ALIM")	4,990	4,990
	244,600	244,600

Notes to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

5.1 Goodwill (continued)

(i) AGIC

Impairment test for cash-generating unit ("CGU") containing goodwill

For goodwill attributable to the acquisition of AGIC, the carrying amount of goodwill had been allocated to the entire integrated general insurance business of the Group as one CGU, which represents the lowest level within the Group at which goodwill is monitored for internal management purposes. The estimated recoverable amount is calculated based on value in use, determined by discounted cash flows generated by the general insurance business using approved 5-year financial budgets projected to perpetuity.

The following key assumptions have been used in the cash flow projections in respect of the determining the value in use for CGU containing goodwill:

Key assumptions	2020	2019
Discount rate - pre tax	10.2%	10.8%
Terminal growth rate	3.0%	3.0%

(ii) ALIM

For goodwill attributable to the acquisition of ALIM, the annual impairment test was done by comparing the estimated recoverable amount of ALIM with its carrying amount including the goodwill attributed. The recoverable amount is the value in use which is measured by the Embedded Value attributable to ALIM calculated by an appointed actuary. ALIM computes the Embedded Value using market consistent embedded value approach whereby the Embedded Value is the present value of future shareholders distributable profits after tax discounted at the risk free yield curve with volatility adjustment plus the Net Assets Value. The projected future cash flows are based on the best estimate of assumptions, either derived from the operating unit experience or industry experience.

The estimated recoverable amounts of both the CGUs were determined to be higher than their carrying amounts and thus no impairment loss was recognised. Based on the assessment of value in use for both the CGUs, the Group does not expect that any reasonable change in the key assumptions will cause the carrying amount of the goodwill to exceed their respective recoverable amounts. In conclusion, the key assumptions are not sensitive.

5.2 Software development costs

The software development costs are in relation to internal development expenditures incurred for the Open Product Underwriting System ("OPUS"), Alternate Front End System ("ALPHA"), Business Intelligence System ("BI") and digital application. These systems are integrated systems designed to improve the efficiency of the business activities of the subsidiaries. The costs of developed software are amortised over a period of three to five years.

Notes to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

5.3 Other intangible assets

The carrying amounts of other intangible assets are as follows:

Group	Note	2020 RM'000	2019 RM'000
The Bancassurance Agreements:			
- General insurance business	5.3.1	74,881	82,615
- Life insurance business	5.3.2	13,632	18,177
		88,513	100,792

5.3.1 The Bancassurance Agreement – General insurance business

The intangible asset is in relation to the exclusive Bancassurance Agreement which is effective from 1 July 2017 and Marketing Agreement which is effective from 1 October 2019 for the distribution of the Group's general insurance products.

For the Bancassurance Agreement, the fee for this exclusive right is amortised over its useful life of 15 years using the straight-line method, whereas for the Marketing Agreement, the fee for the exclusive right is amortised over its useful life of 6 years using the straight-line method.

In the impairment assessment conducted by AGIC, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 15 years using the discounted cash flow model.

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement have taken into account COVID-19 impact:

Key assumptions	2020	2019
Bancassurance average annualized gross written premium growth rate	11.0%	12.0%
Discount rate – pre tax	10.2%	10.8%

5.3.2 The Bancassurance Agreement – Life insurance business

The intangible asset is in relation to the exclusive Bancassurance Agreement which provides the Group's life insurance subsidiary with an exclusive right to the use of the bancassurance network of a local commercial bank to sell, market and promote conventional life product.

The fee for this exclusive right is amortised over its useful life of 11 years using the straight-line method. In the impairment assessment conducted by ALIM, the future economic benefits that are attributable to the Bancassurance Agreement was valued at the present value of projected future cash flows to be derived from the tenure of the agreement of 11 years using the discounted cash flow model.

Notes to the Financial Statements

5. INTANGIBLE ASSETS (CONTINUED)

5.3 Other intangible assets (continued)

5.3.2 The Bancassurance Agreement – Life insurance business (continued)

The following key assumptions have been used in cash flow projections in respect of the Bancassurance Agreement have taken into account COVID-19 impact:

Key assumptions	2020	2019
Bancassurance average annualized gross written premium growth rate	16.1%	8.2%
Discount rate – pre tax	10.2%	10.8%

5.3.3 Sensitivity to changes in key assumptions

Management considers that it is not reasonably possible for the abovementioned key assumptions to change so significantly that would result in impairment.

6. Investment properties

Group	Note	2020 RM'000	2019 RM'000
At 1 January		20,155	19,914
Change in fair value recognised in profit or loss	26	(140)	241
Transfer to property, plant and equipment	3	(20,015)	-
At 31 December		-	20,155
Included in the above are:			
At fair value:			
Freehold land		-	1,000
Buildings		-	19,155
		-	20,155

The following are recognised in profit or loss in respect of investment properties:

Group	2020 RM'000	2019 RM'000
Direct operating expenses		
income generating investment properties	-	(2)

Notes to the Financial Statements

6. INVESTMENT PROPERTIES (CONTINUED)

6.1 Fair value information

Fair value of investment properties are categorised as follows:

Group	2020				2019			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Freehold land	-	-	-	-	-	-	1,000	1,000
Buildings	-	-	-	-	-	-	19,155	19,155
	-	-	-	-	-	-	20,155	20,155

Level 3 fair value

The fair values of the investment properties were determined by external independent qualified valuers using Comparison Method. This approach considers the sales of similar or substitute properties and related market data, and establishes a value estimate by adjustments made for differences in factors that affect value. In general, the investment properties are compared with sales of similar properties that have been transacted in the open market. Listings and offers may also be considered.

The Level 3 unobservable input used in the valuation of investment properties is the price per square foot ("psf") which is derived from the selling price of comparable land and building, adjusted for differences in location, property size, shape and terrain of land, any title restrictions, availability of infrastructure, age and condition of building, finishes and services and other relevant characteristics.

The estimated fair value would increase/(decrease) if the price per square foot were higher or lower and the historical sales transaction value were higher or lower.

The following table shows the valuation technique used in the determination of fair values within Level 3, as well as the significant unobservable input used in the valuation model.

Valuation technique used	2020 Fair Value RM'000	2020 Adjusted Price per sq foot RM/psf	2019 Fair Value RM'000	2019 Adjusted Price per sq foot RM/psf
Comparison Approach	-	-	20,155	238 – 1,015

Notes to the Financial Statements

7. INVESTMENTS IN SUBSIDIARIES

Company	2020 RM'000	2019 RM'000
At cost		
Unquoted shares	961,088	961,088

The principal activities of the subsidiaries, the place of incorporation and the interest of the Company are as follows:

Name of subsidiary	Principal activity	Country of incorporation	Effective ownership interest	
			2020 %	2019 %
Allianz Life Insurance Malaysia Berhad ("ALIM")	Underwriting life insurance and investment-linked business	Malaysia	100	100
Allianz General Insurance Company (Malaysia) Berhad ("AGIC")	Underwriting general insurance business	Malaysia	100	100
Affin Hwang Income Fund 5	Investment in debt securities and money market instruments	Malaysia	100	100

Allianz General Insurance Company (Malaysia) Berhad and Allianz Life Insurance Malaysia Berhad holds a 96.5% and 3.5% stake in collective investment scheme, namely, Affin Hwang Income Fund 5, which consist of RM596,242,522 unitholders' capital.

Allianz Malaysia Berhad determines that it has control over Affin Hwang Income Fund 5 and accordingly, the investment in Affin Hwang Income 5 has been consolidated with those of the Company.

PricewaterhouseCoopers PLT is the auditor for all Allianz Malaysia Berhad's subsidiaries.

Notes to the Financial Statements

7. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The financial information of Affin Hwang Income 5 is disclosed below:

Statement of financial position as at 31 December 2020

	2020 RM'000
Assets	
Cash and cash equivalents	21,475
Investments	574,873
Total asset	596,348
Liabilities	
Other payables and accruals	106
Total Liabilities	106
Net Asset Value of the Fund	596,242

Statement of comprehensive income as at 31 December 2020

	2020 RM'000
Investment income	27,017
Expenses	(778)
Net profit before taxation	26,239
Taxation	-
Net profit after taxation	26,239

8. SUBORDINATED LOAN

Company	2020 RM'000	2019 RM'000
Non-current		
Subordinated loan to a subsidiary	-	54,300

The Company has on 7 January 2013, entered into a facility agreement ("Facility Agreement") with ALIM to make available to ALIM a subordinated loan of up to the aggregate principal amount of RM73.0 million only ("Facility") upon fulfillment of the terms and conditions as stipulated in the Facility Agreement. The subordinated loan is unsecured, subject to interest at 4.5% per annum and repayable in 2023. However, the subordinated loan has been fully repaid by ALIM on 8 January 2020.

The proceeds from the Facility were utilised by ALIM as subordinated loan for general working capital purposes including business expansion.

Notes to the Financial Statements

9. REINSURANCE ASSETS

Group	Note	2020 RM'000	2019 RM'000
Non-current			
Reinsurance of insurance contracts			
General insurance claims liabilities		257,251	268,049
Life insurance actuarial liabilities		39,045	33,508
		296,296	301,557
Current			
Reinsurance of insurance contracts			
General insurance claims liabilities		480,146	492,307
Allowance for impairment	40.1(ii)	(2,578)	(2,586)
		477,568	489,721
General insurance premium liabilities		92,614	99,702
Life insurance claims liabilities		29,032	35,565
Life insurance actuarial liabilities		43	41
		599,257	625,029
Total	17	895,553	926,586

Notes to the Financial Statements

10. INVESTMENTS

Group	2020 RM'000	2019 RM'000
Malaysian government securities	5,612,655	4,451,937
Malaysian government guaranteed bonds	3,677,880	3,197,634
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,623
Quoted equity securities of corporations in Malaysia	2,493,098	1,905,352
Quoted equity securities of corporations outside Malaysia	1,637	1,896
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Unquoted bonds of corporations in Malaysia	4,963,751	4,540,106
Unquoted bonds of corporations outside Malaysia	125,727	121,018
Quoted unit trusts in Malaysia	57,468	75,679
Unquoted unit trusts in Malaysia	726,308	619,221
Unquoted unit trusts outside Malaysia	28,385	28,021
Structured deposits and negotiable certificate of deposits with licensed financial institutions	73,148	93,800
Malaysian government guaranteed loans	-	190,504
Fixed and call deposits with:		
Licensed financial institutions	882,677	729,545
	18,644,881	15,997,483
Policy loans	7,915	9,681
Automatic premium loans	76,807	78,183
	18,729,603	16,085,347

Financial investments are summarised by categories as follows:

Group	Note	Current		Non-current		Total	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Available-for-sale financial assets ("AFS")	10(a)	8,096,088	7,015,939	-	-	8,096,088	7,015,939
Loans and receivables ("LAR")	10(b)	967,399	509,525	-	498,388	967,399	1,007,913
Fair value through profit or loss ("FVTPL")							
- Held for trading ("HFT")	10(c)	5,621,189	4,674,061	-	-	5,621,189	4,674,061
- Designated upon initial recognition ("DUIR")	10(d)	4,044,927	3,387,434	-	-	4,044,927	3,387,434
		18,729,603	15,586,959	-	498,388	18,729,603	16,085,347

Notes to the Financial Statements

10. INVESTMENTS (CONTINUED)

(a) Available-for-sale financial assets

Group	Fair value	
	2020 RM'000	2019 RM'000
Malaysian government securities	2,864,805	2,554,680
Malaysian government guaranteed bonds	2,315,457	1,846,320
Ringgit denominated bonds by foreign issuers outside Malaysia	-	25,389
Quoted equity securities of corporations in Malaysia	717,726	570,492
Unquoted bonds of corporations in Malaysia	1,445,731	1,333,465
Quoted unit trusts in Malaysia	38,946	54,810
Unquoted unit trusts in Malaysia	711,276	608,288
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	20,348
	8,093,941	7,013,792

Group	Cost	
	2020 RM'000	2019 RM'000
Unquoted equity securities of corporations in Malaysia	2,147	2,147
Total available-for-sale financial assets	8,096,088	7,015,939

(b) Loans and receivables

Group	Amortised cost 2020 RM'000	Fair value 2020 RM'000	Amortised cost 2019 RM'000	Fair value 2019 RM'000
Malaysian government guaranteed loans	-	-	190,504	191,506
Policy loans	7,915	7,915	9,681	9,681
Automatic premium loans	76,807	76,807	78,183	78,183
Fixed and call deposits with:				
Licensed financial institutions	882,677	882,677	729,545	729,545
	967,399	967,399	1,007,913	1,008,915

Notes to the Financial Statements

10. INVESTMENTS (CONTINUED)

(c) FVTPL – Held for trading

Group	Fair value	
	2020 RM'000	2019 RM'000
Malaysian government securities	1,440,551	1,116,313
Malaysian government guaranteed bonds	828,398	785,731
Ringgit denominated bonds by foreign issuers outside Malaysia	-	5,079
Quoted equity securities of corporations in Malaysia	1,775,372	1,334,860
Quoted equity securities of corporations outside Malaysia	1,637	1,896
Unquoted bonds of corporations in Malaysia	1,513,292	1,370,359
Quoted unit trusts in Malaysia	18,522	20,869
Unquoted unit trusts in Malaysia	15,032	10,933
Unquoted unit trusts outside Malaysia	28,385	28,021
	5,621,189	4,674,061

(d) FVTPL – Designated upon initial recognition

Group	Fair value	
	2020 RM'000	2019 RM'000
Malaysian government securities	1,307,299	780,944
Malaysian government guaranteed bonds	534,025	565,583
Ringgit denominated bonds by foreign issuers outside Malaysia	-	10,155
Unquoted bonds of corporations in Malaysia	2,004,728	1,836,282
Unquoted bonds of corporations outside Malaysia	125,727	121,018
Structured deposits with licensed financial institutions	73,148	73,452
	4,044,927	3,387,434

Notes to the Financial Statements

10. INVESTMENTS (CONTINUED)

The movements in carrying values of the financial investments are as follows:

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2020		7,015,939	1,007,913	4,674,061	3,387,434	16,085,347
Purchases/Placements		2,302,879	41,494,949	2,367,347	855,510	47,020,685
Maturities		(420,475)	(41,543,273)	(172,200)	(213,030)	(42,348,978)
Disposals		(850,446)	-	(1,310,781)	(96,517)	(2,257,744)
Fair value gains recorded in:						
Profit or loss:						
- Unrealised gains	26	-	-	65,587	87,407	152,994
- Movement in impairment allowance	26	(137,566)	-	-	-	(137,566)
Other comprehensive income	16.2	73,513	-	-	-	73,513
Insurance contract liabilities	17(a)	138,800	-	-	-	138,800
Accretion of discounts	24	2,559	-	1,603	2,823	6,985
Amortisation of premiums	24	(6,983)	-	(2,340)	(3,845)	(13,168)
Unrealised foreign exchange losses		-	-	(780)	(2,069)	(2,849)
Movement in income due and accrued		(22,132)	7,810	(1,308)	27,214	11,584
At 31 December 2020		8,096,088	967,399	5,621,189	4,044,927	18,729,603

Group	Note	AFS RM'000	LAR RM'000	HFT RM'000	DUIR RM'000	Total RM'000
At 1 January 2019		6,645,683	613,932	3,757,147	3,232,636	14,249,398
Purchases/Placements		1,245,946	36,125,283	1,277,036	381,391	39,029,656
Maturities		(739,192)	(35,739,422)	(155,050)	(202,066)	(36,835,730)
Disposals		(399,211)	-	(427,923)	(146,443)	(973,577)
Fair value gains recorded in:						
Profit or loss:						
- Unrealised gains	26	-	-	221,671	122,781	344,452
- Movement in impairment allowance	26	(19,087)	-	-	-	(19,087)
Other comprehensive income	16.2	86,920	-	-	-	86,920
Insurance contract liabilities	17(a)	200,584	-	-	-	200,584
Accretion of discounts	24	1,533	-	1,354	2,453	5,340
Amortisation of premiums	24	(1,851)	-	(1,123)	(2,105)	(5,079)
Unrealised foreign exchange gains/(losses)		-	-	129	(1,378)	(1,249)
Movement in income due and accrued		(5,386)	8,120	820	165	3,719
At 31 December 2019		7,015,939	1,007,913	4,674,061	3,387,434	16,085,347

Notes to the Financial Statements

10. INVESTMENTS (CONTINUED)

Company	2020 RM'000	2019 RM'000
Fixed and call deposits with:		
Licensed financial institutions	22,624	5,906

Financial investments are summarised by category as follows:

Company	Current		Total	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amortised cost	22,624	5,906	22,624	5,906

Company	Amortised cost 2020 RM'000	Fair value 2020 RM'000	Amortised cost 2019 RM'000	Fair value 2019 RM'000
Fixed and call deposits with:				
Licensed financial institutions	22,624	22,624	5,906	5,906

The movements in carrying values of the financial investments are as follows:

Company	Amortised cost RM'000	Total RM'000
At 1 January 2019	2,016	2,016
Placements	603,892	603,892
Maturities	(600,039)	(600,039)
Movement in accrued interest	37	37
At 31 December 2019/1 January 2020	5,906	5,906
Placements	953,495	953,495
Maturities	(936,910)	(936,910)
Movement in accrued interest	133	133
At 31 December 2020	22,624	22,624

Notes to the Financial Statements

11. DERIVATIVE FINANCIAL ASSETS AND (LIABILITIES)

Group	Nominal value RM'000	Assets RM'000	Liabilities RM'000
2020			
Derivative held for trading at fair value through profit or loss:			
Collateralised interest rate swap	400,000	59,496	-
Cross currency swap	119,750	5,366	(301)
Derivatives used for hedging:			
Forward purchase agreements	100,000	16,876	-
	619,750	81,738	(301)
2019			
Derivative held for trading at fair value through profit or loss:			
Collateralised interest rate swap	400,000	36,804	-
Cross currency swap	119,750	4,412	(1,244)
Derivatives used for hedging:			
Forward purchase agreements	160,000	20,961	-
	679,750	62,177	(1,244)

The Group uses interest rate swap and cross currency swap to mitigate the changes in fair value of local and foreign currency-denominated debt securities due to movements in interest rates or foreign exchange rates.

The Group enters into forward purchase agreements as cash flow hedging instruments to hedge against variability in future cash flows arising from movements in interest rates of debt securities.

Table below shows the periods when the hedged cash flows are expected to occur:

Group	>6 to 12 months RM'000	>1 to 5 years RM'000
As at 31.12.2020		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(39,982)	(56,824)
	(39,982)	(56,824)
As at 31.12.2019		
Cash inflows (assets)	-	-
Cash outflows (liabilities)	(59,275)	(96,807)
	(59,275)	(96,807)

Notes to the Financial Statements

12. INSURANCE RECEIVABLES

Group	Note	2020 RM'000	2019 RM'000
Current			
Due premiums including agents, brokers and co-insurers balances		179,233	176,616
Due from reinsurers and cedants		63,117	70,526
Due from holding company	12.1	1,945	576
Due from related companies	12.1	10,390	6,461
Group claims receivables		831	797
		255,516	254,976
Less: Allowance for impairment	40.1(ii)	(55,865)	(59,624)
		199,651	195,352

12.1 Amount due from holding company and related companies

The amount due from related companies is unsecured and receivable in accordance with normal trade terms.

12.2 Financial assets

There is no netting off of gross amount of recognised financial assets against the gross amount of financial liabilities in the statement of financial position.

There are no financial assets that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2019: Nil).

Notes to the Financial Statements

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group	Note	2020 RM'000	2019 RM'000
Non-current			
Other receivables			
Other loans		30,851	35,634
Other receivables, deposits and prepayment		27,661	9,168
		58,512	44,802
Staff loans			
Mortgage loans		6,878	6,604
Other secured loans		1,198	1,448
		8,076	8,052
		66,588	52,854
Current			
Other receivables			
Sundry deposits		4,949	6,062
Malaysian Motor Insurance Pool ("MMIP")		47,244	48,889
Other receivables and prepayments		37,990	54,693
Less: Allowance for impairment	40.1(ii)	(742)	(4,558)
		89,441	105,086
Due from immediate holding company		226	121
Due from related companies	13.1	3,600	4,889
		93,267	110,096
Staff loans			
Mortgage loans		829	767
Other secured loans		401	479
		1,230	1,246
		94,497	111,342
Total		161,085	164,196

Notes to the Financial Statements

13. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

13.1 Amounts due from holding company and related companies

The amount due from holding company and related companies are unsecured, interest free and repayable on demand.

Company	Note	2020 RM'000	2019 RM'000
Non-current			
Other receivables			
Other receivables, deposits and prepayments		1,026	1,206
Staff loans			
Mortgage loans		312	334
Other secured loans		92	30
		404	364
		1,430	1,570
Current			
Other receivables			
Other receivables, deposits and prepayments		1,023	815
Due from subsidiaries	13.2	4,214	8,649
Dividend receivable from subsidiaries		279,683	199,822
		284,920	209,286
Staff loans			
Mortgage loans		46	46
Other secured loans		18	11
		64	57
		284,984	209,343
Total		286,414	210,913

13.2 Amount due from subsidiaries

The amount due from subsidiaries is unsecured, interest free and repayable on demand.

Notes to the Financial Statements

14. DEFERRED ACQUISITION COSTS

Group	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January 2019		106,804	(11,744)	95,060
Movement during the year	27	13,955	2,408	16,363
At 31 December 2019/1 January 2020		120,759	(9,336)	111,423
Movement during the year	27	3,535	1,212	4,747
At 31 December 2020		124,294	(8,124)	116,170

15. SHARE CAPITAL

Group and Company	2020		2019	
	Amount RM'000	Number of shares '000	Amount RM'000	Number of shares '000
Issued and fully paid shares classified as equity instruments:				
Ordinary shares (Note 15.1)				
At 1 January	232,597	176,888	231,964	176,688
Issued during the year	4	1	633	200
At 31 December	232,601	176,889	232,597	176,888
Irredeemable Convertible Preference Shares (Note 15.2)				
At 1 January	538,432	169,318	539,065	169,518
Conversion during the year	(4)	(1)	(633)	(200)
At 31 December	538,428	169,317	538,432	169,318

During the financial year, the Group and the Company issued 1,200 (2019: 199,200) ordinary shares via conversion of ICPS.

15.1 Ordinary shares

The holders of the ordinary shares are entitled to one vote per share at meetings of the Company, and to receive dividends as declared from time to time.

Notes to the Financial Statements

15. SHARE CAPITAL (CONTINUED)

15.2 Irredeemable Convertible Preference Shares ("ICPS")

The ICPS holders do not carry the right to vote at any general meeting except for when the dividend or part of the dividend is in arrears for more than 6 months, on a proposal to wind-up of the Company, during the winding-up of the Company, on a proposal that affect the rights attached to the ICPS, on a proposal to reduce the Company's share capital or on a proposal for the disposal of the whole of the Company's property, business and undertaking.

Holders of ICPS receive a non-cumulative preferential dividend equivalent to 1.2 times of the dividend rate of the ordinary shares declared for the same financial year/period and calculated based on the nominal value of the ICPS at the Company's discretion.

The ICPS may be converted at any time on a date falling 12 months after the quotation date of the ICPS. The conversion price is fixed at 1 ordinary share of the Company and shall be satisfied by surrendering 1 ICPS for each ordinary share of the Company, subject to adjustment to the conversion price. No cash is payable by the holder of the ICPS upon conversion of the ICPS to ordinary shares. The ordinary shares resulting from each conversion shall rank *pari passu* in all respect with the remaining ordinary shares.

In the event of repayment of capital by the Company (including any cancellation of capital which is lost or unrepresented by assets), each ICPS holder will be entitled to participate in such repayment and shall rank *pari passu* with the existing ordinary shareholders.

16. RESERVES

Group	Note	2020 RM'000	2019 RM'000
Revaluation reserve	16.1	38,565	42,303
Fair value reserve	16.2	134,766	77,446
Life non-participating fund surplus		1,137,320	971,897
Retained earnings	16.3	1,949,826	1,810,894
		3,260,477	2,902,540
Company			
Retained earnings		287,481	233,476
		287,481	233,476

16.1 Revaluation reserve

The revaluation reserve represents the surplus on revaluation of owner occupied properties for the general business and life business.

16.2 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

Notes to the Financial Statements

16. RESERVES (CONTINUED)

16.3 Retained earnings

Restriction on payment of dividends by insurance subsidiaries

Pursuant to the RBC Framework for Insurers, the insurance subsidiaries of the Group ("Insurance Subsidiaries") shall not pay dividends if the Capital Adequacy Ratio position of the Insurance Subsidiaries is less than the Insurance Subsidiaries' internal target capital levels or if the payment of dividends would impair Insurance Subsidiaries' Capital Adequacy Ratio position to below Insurance Subsidiaries' internal target capital levels.

Pursuant to Section 51(1) of the Financial Services Act, 2013 ("FSA"), the Insurance Subsidiaries are required to obtain Bank Negara Malaysia's written approval prior to declaring or paying any dividend on its shares.

17. INSURANCE CONTRACT LIABILITIES

Group	Note	2020			2019		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Life insurance	17(a)	12,152,477	(68,120)	12,084,357	10,763,670	(69,114)	10,694,556
General insurance	17(b)	3,900,795	(827,433)	3,073,362	3,658,554	(857,472)	2,801,082
		16,053,272	(895,553)	15,157,719	14,422,224	(926,586)	13,495,638
		Note 9			Note 9		

(a) Life insurance

Life insurance contract liabilities consist of:

Group	Note	2020			2019		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Actuarial liabilities	39.1	9,067,076	(39,088)	9,027,988	8,104,310	(33,549)	8,070,761
Benefits and claims liabilities		668,224	(29,032)	639,192	577,403	(35,565)	541,838
Unallocated surplus		(109,723)	-	(109,723)	30,069	-	30,069
Hedging reserve		15,526	-	15,526	19,284	-	19,284
Available-for-sale fair value reserve		360,187	-	360,187	232,491	-	232,491
Net asset value attributable to unitholders		2,144,196	-	2,144,196	1,793,122	-	1,793,122
Revaluation reserve		6,991	-	6,991	6,991	-	6,991
		12,152,477	(68,120)	12,084,357	10,763,670	(69,114)	10,694,556

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(a) Life insurance (continued)

Group	Gross			Reinsurance		
	With DPF RM'000	Without DPF RM'000	Total RM'000	With DPF RM'000	Without DPF RM'000	Net RM'000
At 1 January 2020						
Premiums received (Note 23)	4,198,875	6,564,795	10,763,670	(528)	(68,585)	10,694,557
Liabilities paid for death, maturities, surrenders, benefits and claims	102,048	2,847,070	2,949,118	(5,518)	(100,101)	2,843,499
Movements in benefits and claim liabilities	(303,287)	(987,508)	(1,290,795)	3,024	51,887	(1,235,884)
Benefits and claims experience variation	40,008	50,813	90,821	(246)	6,779	97,354
Fees deducted	23,071	(176,778)	(153,707)	1,128	44,550	(108,029)
Expected interest on reserve/net investment income attributable to Universal Life Fund	(11,464)	(684,136)	(695,600)	1,127	24	(694,449)
Adjustments due to changes in assumptions	155,749	216,608	372,357	-	(268)	372,089
Net asset value attributable to unitholders	70,454	48,274	118,728	-	(1,393)	117,335
Hedging reserve	-	13,739	13,739	-	-	13,739
Available-for-sale fair value reserve (Note 10)	(4,085)	-	(4,085)	-	-	(4,085)
Unallocated surplus	138,800	-	138,800	-	-	138,800
Deferred tax effects:	(139,792)	-	(139,792)	-	-	(139,792)
- Hedging reserve (Note 31.3)	327	-	327	-	-	327
- Available-for-sale fair value reserve (Note 31.3)	(11,104)	-	(11,104)	-	-	(11,104)
At 31 December 2020	4,259,600	7,892,877	12,152,477	(1,013)	(67,107)	12,084,357

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	With DPF RM'000	Without DPF RM'000	
At 1 January 2019					
Premiums received (Note 23)	3,950,424	5,333,832	9,284,256	(66,139)	9,217,677
Liabilities paid for death, maturities, surrenders, benefits and claims	116,304	2,608,728	(440)	(75,151)	2,643,854
Movements in benefits and claim liabilities	(321,702)	(1,002,992)	2,876	63,471	(1,258,347)
Benefits and claims experience variation	51,851	59,269	(89)	(3,001)	108,030
Fees deducted	89,250	(167,456)	1,679	14,907	(61,620)
Expected interest on reserve/net investment income attributable to Universal Life Fund	(13,240)	(672,162)	1,472	(23)	(683,953)
Adjustments due to changes in assumptions	152,654	293,580	446,234	(467)	445,767
Net asset value attributable to unitholders	72,131	48,182	120,313	(2,182)	118,131
Hedging reserve	-	63,814	63,814	-	63,814
Available-for-sale fair value reserve (Note 10)	20,960	-	20,960	-	20,960
Revaluation reserves	200,584	-	200,584	-	200,584
Unallocated surplus	1,099	-	1,099	-	1,099
Deferred tax effects:	(103,628)	-	(103,628)	-	(103,628)
- Hedging reserve (Note 31.3)	(1,677)	-	(1,677)	-	(1,677)
- Available-for-sale fair value reserve (Note 31.3)	(16,047)	-	(16,047)	-	(16,047)
- Revaluation reserves (Note 31.3)	(88)	-	(88)	-	(88)
At 31 December 2019	4,198,875	6,564,795	10,763,670	(529)	10,694,556

Notes to the Financial Statements

17. INSURANCE CONTRACT LIABILITIES (CONTINUED)

(b) General insurance

General insurance contract liabilities consist of:

Group	Note	2020			2019		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Provision for claims reported by policyholders		1,992,729	(526,197)	1,466,532	1,872,966	(537,797)	1,335,169
Provision for incurred but not reported claims ("IBNR")		731,826	(211,200)	520,626	681,278	(222,559)	458,719
Allowance for impairment	9	-	2,578	2,578	-	2,586	2,586
Provision for outstanding claims	17.1	2,724,555	(734,819)	1,989,736	2,554,244	(757,770)	1,796,474
Provision for unearned premiums	17.2	1,176,240	(92,614)	1,083,626	1,104,310	(99,702)	1,004,608
		3,900,795	(827,433)	3,073,362	3,658,554	(857,472)	2,801,082

17.1 Provision for outstanding claims – movements

Group	Note	2020			2019		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		2,554,244	(757,770)	1,796,474	2,475,391	(714,461)	1,760,930
Claims incurred in the current accident year		1,429,162	(155,329)	1,273,833	1,505,455	(230,306)	1,275,149
Other movements in claims incurred in prior accident years		(262,734)	113,459	(149,275)	(256,986)	81,075	(175,911)
Claims paid during the year	28	(996,117)	64,821	(931,296)	(1,169,616)	105,922	(1,063,694)
At 31 December		2,724,555	(734,819)	1,989,736	2,554,244	(757,770)	1,796,474

17.2 Provision for unearned premiums – movements

Group	Note	2020			2019		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
At 1 January		1,104,310	(99,702)	1,004,608	1,030,226	(122,964)	907,262
Premiums written in the year	23	2,356,052	(249,877)	2,106,175	2,197,501	(241,748)	1,955,753
Premiums earned during the year		(2,284,122)	256,965	(2,027,157)	(2,123,417)	265,010	(1,858,407)
At 31 December		1,176,240	(92,614)	1,083,626	1,104,310	(99,702)	1,004,608

Notes to the Financial Statements

18. DEFERRED TAX ASSETS AND (LIABILITIES)

18.1 Recognised deferred tax assets and (liabilities) are attributable to the following:

Group	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Property, plant and equipment	1,252	1,777	(14,453)	(14,632)	(13,201)	(12,855)
Intangible assets	-	-	(18,631)	(19,877)	(18,631)	(19,877)
Allowance for impairment on insurance receivables	12,013	12,551	-	-	12,013	12,551
Other payables and accruals	23,320	17,438	-	-	23,320	17,438
Hedging reserve	-	-	(1,350)	(1,677)	(1,350)	(1,677)
Available-for-sale fair value reserve	-	-	(71,932)	(44,635)	(71,932)	(44,635)
Fair value movement recognised in profit or loss	1,778	1,778	(29,159)	(23,166)	(27,381)	(21,388)
Unallocated surplus	-	-	(337,048)	(284,809)	(337,048)	(284,809)
Other items	-	-	(762)	(762)	(762)	(762)
Tax assets/(liabilities)	38,363	33,544	(473,335)	(389,558)	(434,972)	(356,014)
Offset of tax	(38,363)	(33,544)	38,363	33,544	-	-
Net deferred tax liabilities	-	-	(434,972)	(356,014)	(434,972)	(356,014)
Company						
Property, plant and equipment	-	-	(83)	(135)	(83)	(135)
Net tax liabilities	-	-	(83)	(135)	(83)	(135)

18. DEFERRED TAX ASSETS AND (LIABILITIES) (CONTINUED)

18.2 Movement in temporary differences during the year:

Group	At 1.1.2019 RM'000	Recognised in profit or loss (Note 31.1) RM'000	Recognised in other comprehensive income ("OCI") (Note 31.2) RM'000	Recognised in insurance contract liabilities through OCI (Note 31.3) RM'000	At 31.12.2019/ 1.1.2020 RM'000	Recognised in profit or loss (Note 31.1) RM'000	Recognised in other comprehensive income ("OCI") (Note 31.2) RM'000	Recognised in insurance contract liabilities through OCI (Note 31.3) RM'000	At 31.12.2020 RM'000
Property, plant and equipment	(13,965)	1,230	(32)	(88)	(12,855)	(1,078)	732	-	(13,201)
Intangible assets	(15,253)	(4,624)	-	-	(19,877)	1,246	-	-	(18,631)
Allowance for impairment on insurance receivables	12,483	68	-	-	12,551	(538)	-	-	12,013
Other payables and accruals	19,675	(2,237)	-	-	17,438	5,882	-	-	23,320
Hedging reserve	-	-	-	(1,677)	(1,677)	-	-	327	(1,350)
Available-for- sale fair value reserve	(7,738)	-	(20,850)	(16,047)	(44,635)	-	(16,193)	(11,104)	(71,932)
Fair value movement recognised in profit or loss	3,757	(25,145)	-	-	(21,388)	(5,993)	-	-	(27,381)
Unallocated surplus	(237,760)	(47,049)	-	-	(284,809)	(52,239)	-	-	(337,048)
Other items	2,585	(3,347)	-	-	(762)	-	-	-	(762)
	(236,216)	(81,104)	(20,882)	(17,812)	(356,014)	(52,720)	(15,461)	(10,777)	(434,972)
Company									
Property, plant and equipment	(142)	7	-	-	(135)	52	-	-	(83)

Notes to the Financial Statements

19. LEASE LIABILITIES

	2020 RM'000	2019 RM'000
Non-current	25,174	40,321
Current	17,611	16,803
	42,785	57,124

20. INSURANCE PAYABLES

Group	Note	2020 RM'000	2019 RM'000
Non-current			
Performance bond deposits	20.1	15,992	24,292
Current			
Due to reinsurers and cedants		150,813	133,792
Due to agents, brokers, co-insurers and insurers		180,290	168,345
Due to related companies	20.2	88,896	52,823
Performance bond deposits	20.1	53,126	44,799
		473,125	399,759
Total		489,117	424,051

20.1 Performance bond deposits

Performance bond deposits are interest bearing collateral deposits received from policyholders for guarantees issued on behalf of policyholders.

20.2 Amounts due to related companies

The amounts due to holding company and related companies are unsecured and payable in accordance with normal trade terms.

20.3 Financial liabilities

There is no netting off of gross amount of recognised financial liabilities against the gross amount of financial assets in the statement of financial position. There are no financial liabilities that are subject to enforceable master netting arrangement or similar arrangement to financial instruments received as collateral or any cash collateral pledged or received (2019: Nil).

Notes to the Financial Statements

21. OTHER PAYABLES AND ACCRUALS

Group	Note	2020 RM'000	2019 RM'000
Current			
Sundry creditors		143,948	153,150
Premium received in advance		110,019	94,550
Premium deposits		48,688	32,089
Cash collateral payables		77,504	55,465
Outstanding purchase of investment securities		8,220	22,512
Other payables and accrued expenses		203,749	144,092
Dividend payable		220,440	247,045
Due to holding company	21.1	17,200	13,817
Due to related companies	21.1	7,613	7,030
		837,381	769,750
Total		837,381	769,750
Company			
Current			
Other payables and accrued expenses		3,366	3,003
Dividend payable		220,440	247,045
		223,806	250,048
Total		223,806	250,048

21.1 Amounts due to holding company and related companies

The amounts due to holding company, immediate holding company and related company are unsecured, interest free and repayable on demand.

22. OPERATING REVENUE

Group	Note	2020 RM'000	2019 RM'000
Gross earned premiums	23(a)	5,233,240	4,848,449
Investment income	24	712,471	685,925
		5,945,711	5,534,374
Company			
Investment income	24	281,216	203,148

Notes to the Financial Statements

23. NET EARNED PREMIUMS

Group	Note	2020 RM'000	2019 RM'000
(a) Gross premiums			
Insurance contracts:			
Life	17(a)	2,949,118	2,725,032
General	17(b)	2,356,052	2,197,501
		5,305,170	4,922,533
Change in unearned premiums provision:			
General		(71,930)	(74,084)
Gross earned premiums	22	5,233,240	4,848,449
(b) Premiums ceded			
Insurance contracts:			
Life	17(a)	(105,619)	(81,178)
General	17(b)	(249,877)	(241,748)
		(355,496)	(322,926)
Change in unearned premiums provision:			
General		(7,088)	(23,262)
Premiums ceded to reinsurers		(362,584)	(346,188)
Net earned premiums		4,870,656	4,502,261

Notes to the Financial Statements

24. INVESTMENT INCOME

Group	Note	2020 RM'000	2019 RM'000
Rental of premises from:			
- Owner occupied properties		-	8
Fair value through profit or loss - Held for trading financial assets			
Interest income from:			
- Malaysian government securities		32,978	41,872
- Malaysian government guaranteed bonds		51,047	30,416
- Ringgit denominated bonds by foreign issuers outside Malaysia		-	245
- Unquoted bonds of corporations in Malaysia		63,953	60,829
Dividend income from:			
- Quoted equity securities of corporations in Malaysia		46,798	38,955
- Quoted equity securities of corporations outside Malaysia		62	583
- Quoted unit trusts in Malaysia		87	854
Interest income from/(expense to) licensed financial institutions:			
- Structured deposits		-	590
- Cash collateral		(1,554)	(1,270)
Accretion of discounts	10	1,603	1,354
Amortisation of premiums	10	(2,340)	(1,123)
Available-for-sale financial assets			
Interest income from:			
- Malaysian government securities		75,580	105,037
- Malaysian government guaranteed bonds		114,322	76,282
- Ringgit denominated bonds by foreign issuers outside Malaysia		-	1,232
- Unquoted bonds of corporations in Malaysia		86,729	66,765
Dividend income from:			
- Quoted equity securities of corporations and unquoted unit trusts in Malaysia		20,886	37,669
- Quoted unit trusts in Malaysia		292	3,318
Accretion of discounts	10	2,559	1,533
Amortisation of premiums	10	(6,983)	(1,851)
Interest income from licensed financial institutions:			
- Structured deposits and negotiable certificate of deposits		564	1,410

Notes to the Financial Statements

24. INVESTMENT INCOME (CONTINUED)

Group	Note	2020 RM'000	2019 RM'000
Fair value through profit or loss - Designated upon initial recognition financial assets			
Interest income from:			
- Malaysian government securities		21,464	29,084
- Malaysian government guaranteed bonds		37,765	22,126
- Ringgit denominated bonds by foreign issuers outside Malaysia		-	493
- Unquoted bonds of corporations in Malaysia		86,751	84,847
- Unquoted bonds of corporations outside Malaysia		4,391	4,267
Interest income from licensed financial institutions:			
- Structured deposits and negotiable certificate of deposits		1,865	1,860
- Cross currency swap		1,787	1,580
- Collateralised forward starting interest rate swap		9,082	4,616
Accretion of discounts	10	2,823	2,453
Amortisation of premiums	10	(3,845)	(2,105)
Loans and receivables			
Interest income from:			
- Malaysian government guaranteed loans		3,836	8,632
- Mortgage loans		-	1
- Policy loans		672	796
- Automatic premium loans		5,506	5,625
Interest income from licensed financial institutions:			
- Fixed and call deposits		48,625	44,734
- Bank balances		5,166	12,208
		712,471	685,925
		Note 22	Note 22

Company	2020 RM'000	2019 RM'000
Dividend income from subsidiary	279,683	199,822
Amortised cost		
Interest income from licensed financial institutions:		
- Fixed and call deposits	1,486	882
Interest income on subordinated loan	47	2,444
	281,216	203,148
	Note 22	Note 22

Notes to the Financial Statements

25. REALISED GAINS AND LOSSES

Group	2020 RM'000	2019 RM'000
Property, plant and equipment		
Realised gains/(losses) on disposal	178	405
Financial assets		
Realised gains on disposal of:		
- Malaysian government securities	8,860	11,504
- Malaysian government guaranteed bonds	22,076	1,656
- Quoted equity securities of corporations in Malaysia	188,393	23,767
- Quoted equity securities of corporations outside Malaysia	7,586	824
- Quoted unit trusts in Malaysia	235	498
- Unquoted unit trusts in Malaysia	-	350
- Unquoted unit trusts outside Malaysia	38	25
- Unquoted bonds of corporations in Malaysia	1,193	6,802
Realised losses on disposal of:		
- Malaysian government securities	-	(3)
- Malaysian government guaranteed bonds	(123)	-
- Quoted equity securities of corporations in Malaysia	(193,774)	(53,057)
- Quoted equity securities of corporations outside Malaysia	(3,803)	(1,241)
- Quoted unit trusts in Malaysia	(315)	-
- Unquoted equity securities of corporations in Malaysia	(171)	-
- Unquoted unit trusts outside Malaysia	-	(240)
- Unquoted bonds of corporations in Malaysia	(82)	-
Total net realised losses for financial assets	30,113	(9,115)
Total net realised gains/(losses)	30,291	(8,710)

Company	2020 RM'000	2019 RM'000
Property, plant and equipment		
Realised loss on disposal	-	-

Notes to the Financial Statements

26. FAIR VALUE GAINS AND LOSSES

Group	Note	2020 RM'000	2019 RM'000
Investment properties	6	(140)	241
Held for trading financial assets	10	65,587	221,671
Designated upon initial recognition financial assets	10	87,407	122,781
Derivatives		24,645	14,841
Total fair value gains on financial assets at FVTPL		177,639	359,293
Impairment loss on AFS financial assets	10	(137,566)	(19,087)
Total fair net value gains		39,933	340,447

27. FEE AND COMMISSION

(a) Fee and commission income

Group	Note	2020 RM'000	2019 RM'000
Reinsurance commission income		29,925	53,029
Deferred acquisition costs	14	1,212	2,408
Total fee and commission income		31,137	55,437

(b) Fee and commission expense

Group	Note	2020 RM'000	2019 RM'000
Gross direct commission		778,119	751,581
Deferred acquisition costs	14	(3,535)	(13,955)
Total fee and commission expense		774,584	737,626

Notes to the Financial Statements

28. NET BENEFITS AND CLAIMS

(a) Gross benefits and claims paid

Group	Note	2020 RM'000	2019 RM'000
Insurance contracts:			
Life		(1,290,852)	(1,324,694)
General	17(b)	(996,117)	(1,169,616)
		(2,286,969)	(2,494,310)

(b) Claims ceded to reinsurers

Group	Note	2020 RM'000	2019 RM'000
Insurance contracts:			
Life	17(a)	54,911	66,347
General	17(b)	64,821	105,922
		119,732	172,269

(c) Gross change in contract liabilities

Group	Note	2020 RM'000	2019 RM'000
Insurance contracts:			
Life		(1,174,048)	(1,163,463)
General		(170,311)	(78,853)
		(1,344,359)	(1,242,316)

(d) Change in contract liabilities ceded to reinsurers

Group	Note	2020 RM'000	2019 RM'000
Insurance contracts:			
Life		5,539	(554)
General		(22,951)	43,309
		(17,412)	42,755
Net benefits and claims		(3,529,008)	(3,521,602)

Notes to the Financial Statements

29. MANAGEMENT EXPENSES

Group	Note	2020 RM'000	2019 RM'000
Advertising and marketing expenses		25,372	28,118
Amortisation of intangible assets	5	23,580	20,110
Auditors' remuneration:			
- statutory audit fees		838	794
- non-audit fees		235	79
Insurance and other receivables:			
- (reversal of)/allowance for impairment loss		(7,575)	3,007
- bad debts recovered		(119)	(54)
- bad debts written off		7,205	236
Bank charges		14,293	29,933
Depreciation of property, plant and equipment	3	14,001	15,488
Employee benefits expense	29.1	291,184	271,819
Executive directors' emoluments	29.2	5,724	10,394
Non-executive directors' fee and other emoluments	29.2	2,619	2,679
Rental of office equipment		-	172
Rental of third party premises		901	637
Lease expense on low-value assets		296	259
Short-term lease expenses		2	287
Depreciation of right-of-use assets	4	17,877	18,154
Other expenses		245,005	215,859
		641,438	617,971
Company			
Auditors' remuneration:			
- statutory audit fees		145	143
- non-audit fees		10	10
Bank charges		5	-
Depreciation of property, plant and equipment	3	315	350
Employee benefits expense	29.1	2,795	2,973
Non-executive directors' fee and other emoluments	29.2	968	941
Other expenses		2,320	2,001
		6,558	6,418

Notes to the Financial Statements

29. MANAGEMENT EXPENSES (CONTINUED)

29.1 Employee benefits expense

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Wages and salaries	219,985	198,287	1,532	1,371
Social security contributions	1,628	1,562	9	9
Contributions to Employees' Provident Fund	31,083	29,125	288	317
Other benefits	38,488	42,845	966	1,276
	291,184	271,819	2,795	2,973

29.2 Key management personnel compensation

	Group		Company	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Executive directors:				
Salaries and other emoluments	3,440	5,045	-	-
Bonus	1,910	4,723	-	-
Contributions to Employees' Provident Fund	374	626	-	-
Estimated monetary value of benefits-in-kind	236	471	-	-
	5,960	10,865	-	-
Non-executive directors:				
Fees	1,869	2,037	631 [#]	720 [#]
Other emoluments	750	642	337	221
Estimated monetary value of benefits-in-kind	16	11	6	11
	2,635	2,690	974	952
Other key management personnel*				
Short term employee benefits	13,086	12,583	-	-

* Other key management personnel are defined as those persons other than the Directors of the Group and of the Company having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly.

[#] Inclusive of fees for non-executive directors of subsidiaries who are members of Board Committees of the Company amounting to RM26,117 (2019: RM3,271).

Notes to the Financial Statements

29. MANAGEMENT EXPENSES (CONTINUED)

29.2 Key management personnel compensation (continued)

The number of executive and non-executive directors whose total remuneration and other emoluments received during the year falls within the following bands is:

	Number of directors			
	Group		Company	
	2020	2019	2020	2019
Executive directors:				
Below RM1,000,000	-	-	-	-
RM1,000,000 and above	2	2	-	-
Non-executive directors:				
RM0	-	-	-	-
Below RM100,000	2	1	2	2
RM100,001 – RM200,000	1	1	4	4
RM200,001 – RM300,000	1	1	-	-
RM300,001 – RM400,000	2	4	1	1
RM400,001 – RM500,000	-	-	-	-
RM500,001 – RM600,000	1	-	-	-
RM600,001 – RM700,000	-	-	-	-
RM700,001 – RM800,000	1	1	-	-

Reported under the Group's Executive Directors included 1 Non-Independent Executive Directors who has resigned during the financial year under review.

Reported under the Group and the Company's Non-Executive Directors included 1 Independent Non-Executive Directors and 1 Independent Non-Executive Directors who have retired and resigned respectively during the financial year under review.

29.3 Chief Executive Officers remuneration

	Group		Company	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Salaries and other emoluments	4,323	5,163	141	118
Bonus	2,088	5,118	178	395
Contributions to Employees' Provident Fund	416	696	42	70
Estimated monetary value of benefits-in-kind	447	474	2	3
	7,274	11,451	363	586
Amount included in employee benefits expense	6,827	10,977	361	583

Notes to the Financial Statements

29. MANAGEMENT EXPENSES (CONTINUED)

29.3 Chief Executive Officers remuneration (continued)

The remuneration of Chief Executive Officers ("CEO(s)") of the Group and the Company including benefits-in-kind, amounted to RM7,274,000 (2019: RM11,451,000) and RM363,000 (2019: RM586,000) respectively.

30. INTEREST EXPENSE

Group	2020 RM'000	2019 RM'000
Interest expense on:		
Lease liabilities	1,733	2,541

31. TAX EXPENSE

31.1 Recognised in profit or loss

	Note	Group		Company	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Current tax expense					
Current year		159,885	129,191	458	886
(Over)/Under provision in prior years		(3,300)	(10,629)	(27)	11
		156,585	118,562	431	897
Deferred tax expense/(income)					
Origination and reversal of temporary differences		51,687	77,086	(15)	(7)
Under/(Over) provision in prior year		1,033	4,018	(37)	-
	18.2	52,720	81,104	(52)	(7)
Total tax expense		209,305	199,666	379	890

Notes to the Financial Statements

31. TAX EXPENSE (CONTINUED)

31.2 Deferred tax recognised directly in other comprehensive income

Group	Note	2020 RM'000	2019 RM'000
Available-for-sale fair value reserve			
At 1 January		24,415	3,565
Net gain arising from change in fair value during the year	18.2	16,193	20,850
At 31 December		40,608	24,415
Revaluation reserve			
At 1 January		9,566	9,534
Net gain arising from change in fair value during the year		(732)	32
At 31 December		8,834	9,566

31.3 Deferred tax recognised in insurance contract liabilities

Group	Note	2020 RM'000	2019 RM'000
Hedging reserve			
At 1 January		1,677	-
Net (loss)/gain arising from change in fair value during the year	17(a)	(327)	1,677
At 31 December	18.2	1,350	1,677
Available-for-sale fair value reserve			
At 1 January		20,220	4,173
Net gain arising from change in fair value during the year	17(a)	11,104	16,047
At 31 December		31,324	20,220
Revaluation reserve			
At 1 January		553	465
Net gain arising from revaluation during the year		-	88
At 31 December		553	553

Notes to the Financial Statements

31. TAX EXPENSE (CONTINUED)

31.4 Reconciliation of tax expense

Group	2020 RM'000	2019 RM'000
Profit before tax	729,630	692,144
Tax at Malaysian tax rate of 24% (2019: 24%)	175,111	166,115
Tax rate differential of 16% (2019: 16%) in respect of life fund	10,818	12,212
Income not subject to tax	(245,752)	(229,135)
Section 110B tax and deferred tax credit set off	(3,810)	(18,047)
Non-deductible expenses	276,732	275,814
Other items	(1,527)	(682)
	211,572	206,277
Over provision in prior years	(2,267)	(6,611)
Total tax expense	209,305	199,666

Company	2020 RM'000	2019 RM'000
Profit before tax	274,824	196,963
Tax at Malaysian tax rate of 24% (2019: 24%)	65,958	47,271
Income not subject to tax	(67,125)	(47,957)
Non-deductible expenses	1,610	1,565
	443	879
(Over)/Under provision in prior years	(64)	11
Total tax expense	379	890

The income of the general business and life business shareholders' fund is taxed at 24% (2019: 24%). The income tax provided in the life fund for the current and previous financial years is in respect of investment income which is taxed at a reduced tax rate of 8% (2019: 8%) applicable for life insurance business and 24% (2019: 24%) on income other than investment income which is taxed under Section 60(8) of the Income Tax Act, 1967 ("Act").

Notes to the Financial Statements

32. EARNINGS PER ORDINARY SHARE

(a) Basic earnings per ordinary share

The calculation of basic earnings per ordinary share at 31 December 2019 was based on the profit attributable to ordinary shareholders adjusted for preference dividends of RM117,845,000 (2019: RM132,068,000) and the weighted average number of ordinary shares in issue during the year of 176,889,000 (2019: 176,787,000).

Group	2020	2019
Profit attributable to ordinary shareholders (RM'000)	520,325	492,478
Adjustment:		
- Preference dividends declared	(117,845)	(132,068)
Adjusted profit attributable to ordinary shareholders (RM'000)	420,480	360,410
Weighted average number of shares in issue ('000)	176,889	176,787
Basic earnings per ordinary share (sen)	227.53	203.87

(b) Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share at 31 December 2020 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	2020	2019
Profit attributable to equity shareholders (RM'000)	520,325	492,478
Weighted average number of shares in issue ('000)	176,889	176,787
Effect of conversion of ICPS ('000)	169,317	169,318
Diluted weighted average number of ordinary shares during the year ('000)	346,206	346,105
Diluted earnings per ordinary share (sen)	150.29	142.29

Notes to the Financial Statements

33. DIVIDENDS

Dividends recognised by the Company:

	Sen per share (single-tier)	Total amount RM'000	Date of payment
2020			
Interim 2020 preference dividend	69.60	117,845	18 February 2021
Interim 2020 ordinary dividend	58.00	102,595	18 February 2021
		220,440	
2019			
Interim 2019 preference dividend	61.20	103,623	14 February 2020
Interim 2019 ordinary dividend	51.00	90,213	14 February 2020
Special 2019 preference dividend	16.80	28,445	14 February 2020
Special 2019 ordinary dividend	14.00	24,764	14 February 2020
		247,045	

34. OPERATING LEASES**34.1 Leases as lessor**

The Group leases out its investment properties under operating leases (see Note 6). The future undiscounted lease payments to be received are as follows:

	2020 RM'000	2019 RM'000
Less than one year	90	151
Between 1 and 2 years	87	-
Between 2 and 3 years	62	-
Between 3 and 4 years	2	-
	241	151

Notes to the Financial Statements

35. CAPITAL COMMITMENTS

Group	2020 RM'000	2019 RM'000
Property, plant and equipment		
Contracted but not provided for	1,171	4,426
Software development		
Contracted but not provided for	3,076	479

Company	2020 RM'000	2019 RM'000
Property, plant and equipment		
Contracted but not provided for	-	-

36. OPERATING SEGMENTS

Segment information is presented in respect of the Group's business segments. Each business segment is managed separately based on the Group's management and internal reporting structure.

Performance is measured based on segment profit before tax, interest, depreciation and amortisation, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer (the chief operating decision maker). Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment assets

The total segment asset is measured based on all assets (including goodwill) of a segment, as included in the internal management reports that are reviewed by the Group's Chief Executive Officer. Segment total asset is used to measure the return of assets of each segment.

Segment capital expenditure

Segmental capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

36.1 Business segments

The Group comprises the following main business segments:

Investment holding	Investment holding
General insurance	Underwriting of all classes of general insurance business
Life insurance	Underwriting of all classes of life insurance and investment-linked business

36.2 Geographical segments

The Group operates predominantly in Malaysia and, accordingly, the Directors are of the opinion that the financial information by geographical segments of the Group's operations is not necessary to be presented.

Notes to the Financial Statements

36. OPERATING SEGMENTS (CONTINUED)

Business segments	Investment holding RM'000	General business RM'000	Life business RM'000	Inter-segment elimination RM'000	Consolidated RM'000
2020					
External revenue	11,939	2,471,604	3,462,168	-	5,945,711
Revenue from other segments	280,238	14,053	92	(294,383)	-
Total revenue	292,177	2,485,657	3,462,260	(294,383)	5,945,711
Segment results	269,058	446,146	308,809	(294,383)	729,630
Profit before tax					729,630
Tax expense					(209,305)
Profit for the year					520,325
Segment assets	650,106	6,872,326	14,374,313	-	21,896,745
Segment liabilities	246,048	4,385,384	13,233,807	-	17,865,239
Capital expenditure	697	16,224	9,647	-	26,568
Depreciation of property, plant and equipment	316	8,562	5,123	-	14,001
Amortisation of intangible assets	-	16,658	6,922	-	23,580
Reversal of allowance for impairment loss on receivables	-	(2,928)	(4,647)	-	(7,575)
Amortisation of premiums	-	5,904	7,264	-	13,168
Accretion of discounts	-	(1,698)	(5,287)	-	(6,985)
2019					
External revenue	14,298	2,312,678	3,207,398	-	5,534,374
Revenue from other segments	202,265	423	118	(202,806)	-
Total revenue	216,563	2,313,101	3,207,516	(202,806)	5,534,374
Segment results	191,250	362,839	340,861	(202,806)	692,144
Profit before tax					692,144
Tax expense					(199,666)
Profit for the year					492,478
Segment assets	612,259	6,459,334	12,638,479	-	19,710,072
Segment liabilities	267,138	4,105,877	11,663,488	-	16,036,503
Capital expenditure	295	42,344	7,880	-	50,519
Depreciation of property, plant and equipment	349	9,620	5,519	-	15,488
Amortisation of intangible assets	-	13,474	6,636	-	20,110
Allowance for impairment loss on receivables	-	224	2,783	-	3,007
Amortisation of premiums	-	986	4,093	-	5,079
Accretion of discounts	-	(766)	(4,574)	-	(5,340)

Notes to the Financial Statements

37. RELATED PARTIES

37.1 Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group or the Company if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related Parties	Relationship
Allianz SE, Munich ("Allianz SE")	Holding company
Allianz Life Insurance Malaysia Berhad	Subsidiary of the Company
Allianz General Insurance Company (Malaysia) Berhad	Subsidiary of the Company
Allianz SE Insurance Management Asia Pacific	Related company of AMB
Allianz Technology SE [Formerly known as Allianz Managed & Operations Services SE]	Related company of AMB
Allianz Investment Management SE	Related company of AMB
Allianz Investment Management Singapore Pte Ltd	Related company of AMB
Allianz Global Investors Singapore Limited	Related company of AMB
Allianz Global Investors Asia Pacific Limited	Related company of AMB
Allianz Global Benefits GmbH	Related company of AMB
Allianz Ayudhya Assurance Public Company Limited	Related company of AMB
AWP Services Sdn Bhd	Related company of AMB
Euler Hermes Singapore Services Pte Ltd	Related company of AMB
Euler Hermes Deutschland AG, Singapore branch	Related company of AMB
PT Asuransi Allianz Life Indonesia	Related company of AMB
Allianz SE General Reinsurance Branch Labuan	Related company of AMB
Allianz Global Corporate & Specialty SE Hong Kong Branch	Related company of AMB
Allianz Global Corporate & Specialty SE	Related company of AMB
Rapidpro Consulting Sdn Bhd	Company connected to the CEO of the Company

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or the Company either directly or indirectly and entity that provides key management personnel services to the Group. The key management personnel include all the Directors of the Group and the Company, and certain members of Senior Management Committee of the Group and the Company. There were no significant transactions with the Group and the Company during the financial year other than key management personnel compensation as disclosed in Note 29.2.

Notes to the Financial Statements

37. RELATED PARTIES (CONTINUED)

37.2 The significant transactions with related parties are as follows:

Group	Amount transacted for the year ended 31 December 2020 RM'000	Amount transacted for the year ended 31 December 2019 RM'000
Trade		
Holding company		
Payment of reinsurance premium ceded, net of commission income	(2,110)	(2,134)
Related companies*		
Payment of reinsurance premium ceded, net of commission income	(242,260)	(205,918)
Non-trade		
Holding company		
Payment of personnel expenses	(1,921)	(620)
Payment of global marketing expenses	(2,657)	(2,292)
Reimbursement of expenses made on behalf	(51)	(13)
Payment of license fees	-	(38)
Payment of training and other fees	-	(81)
Payment of fees for cyber insurance services	(51)	(16)
Payment of fees for Human Resource Transformation ("HRT") run services	(174)	(286)
Payment of fees for sharing of Global procurement (excluding Information Technology ("IT")) services and support	(125)	(94)
Payment for Employee Share Purchase Plan	(2,263)	(1,217)
Payment of business building and regional investment costs	(3,051)	(3,471)
Provision of regional audit services	91	405
Provision of regional underwriting service	-	245
Payment of personnel expenses	(4,095)	(1,064)
Payment of global technical support fees	(2,616)	(1,858)
Payment for support of design and development of Global Digital Factory	(63)	(52)
Payment for the development of Allianz One Finance Programme	(39)	(34)
Payment of IT security services	(263)	(245)
Payment of HR consulting fee	(17)	-
Payment of training fees	(54)	-
Payment for reimbursement of expenses	-	(2)
Payment for the participation in the Allianz Employee Survey	(8)	-
Payment for Employee Share Participation Programs related admin costs	(6)	-

Notes to the Financial Statements

37. RELATED PARTIES (CONTINUED)

37.2 The significant transactions with related parties are as follows (continued):

Group	Amount transacted for the year ended 31 December 2020 RM'000	Amount transacted for the year ended 31 December 2019 RM'000
Non-trade (continued)		
Related companies*		
Payment of service fees	(1,794)	(1,776)
Reimbursement of other expenses	1,946	12,746
Investment and redemption of funds (including fund management fees)	1,157	1,099
Payment of investment advisory fees	(2,610)	(2,722)
Performance attribution analysis	(128)	(20)
Payment of sharing of common expenses	(204)	(165)
Sharing of asset and investment manager database expenses	(908)	(474)
Reversal for/(Payment of) software licenses	-	1,086
Reimbursement of life actuarial modeling services	1,525	1,252
Reimbursement for Market Data Management	291	-
Payment of Actuarial support center services	(105)	(98)
Payment of training and other fees	-	(35)
Payment of annual maintenance and support fees for software system	(420)	(363)
Payment for reimbursement of expenses	-	(2)
Payment of annual maintenance and support fee for software system	(832)	(1,114)
Payment of software license fees	(8,268)	(4,900)
Payment of professional fees	-	(12)
Reimbursement of intranet portal network cost	263	-
Sharing of expenses of HR Database Platform & e-Recruitment solution	6	-
Related party – Company connected to CEO of the Company		
Payment of training and other fees	(990)	(1,845)

* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Notes 12, 13, 20 and 21.

Notes to the Financial Statements

37. RELATED PARTIES (CONTINUED)

37.2 The significant transactions with related parties are as follows (continued):

Company	Amount transacted for the year ended 31 December 2020 RM'000	Amount transacted for the year ended 31 December 2019 RM'000
Non-trade		
Holding company		
Provision of regional audit services	91	405
Subsidiaries		
Dividend income	279,683	199,822
Reimbursement of other expenses	261	642
Reimbursement of expenses related to common resources	21,916	21,122
Interest income on subordinated loan	46	2,444
Rental of other premises	(558)	(537)
Reimbursement of life actuarial modeling services	324	232
Related companies*		
Reimbursement of life actuarial modeling services	1,525	1,252
Reimbursement for Market Data Management	291	-

* Related companies are companies within the Allianz SE group.

Related party transactions have been entered into in the normal course of business under normal trade terms.

Significant related party balances related to the above transactions are disclosed in Notes 8, 13 and 21.

Notes to the Financial Statements

38. RISK MANAGEMENT FRAMEWORK

As a provider of insurance services, the Group considers risk management to be one of its core competencies. It is an integrated part of the Group's business process. In order to protect the assets of the Group, the Group has established a risk management framework to promote a strong risk management culture supported by a robust risk governance structure.

This framework ensures that risks are properly identified, analysed and evaluated. Risk appetite is defined by a risk strategy and limit structure. Close monitoring and reporting allows the Group to detect deviations from its risk tolerance limits at an early stage.

The Allianz risk management practice consists of the following key areas:

(a) Risk underwriting and identification

A sound risk underwriting and identification framework including risk assessment, risk standards, and clear targets form the foundation for adequate risk-taking and management decisions such as individual transaction approval, new product approval, strategic or tactical asset allocation.

(b) Risk reporting and monitoring

The Group's qualitative and quantitative risk reporting and controlling framework provides transparency and risk indicators to senior management with regards to its overall risk profile and whether the profile is within delegated limits and authorities.

(c) Risk strategy and risk appetite

The Group's risk strategy clearly defines its risk appetite. It ensures that returns are appropriate for the risks taken and that the delegated authorities are in line with the Group's overall risk-bearing capacity. The risk-return profile is improved through integration of risk considerations and capital needs into management and decision-making process. This also keeps risk strategy and business objectives consistent with each other and allows the Group to take opportunities within its risk appetite.

(d) Communication and transparency

Finally, a transparent and robust risk disclosure provides a basis for communicating this strategy to the Group's internal and external stakeholders, ensuring a sustainable positive impact on valuation and financing.

Risk governance structure

The Board of Directors of the Company ("the Board") assumes the ultimate responsibility over the effectiveness of the Group's risk management and internal control systems by establishing and supervising the operation of the risk management framework. The Board has delegated the responsibility to establish and supervise the operation of the risk management framework to the Risk Management Committee ("RMC") to discharge its oversight function effectively.

RMC bears the overall responsibility for effective risk identification, measurement, monitoring and control functions of the Group. RMC also oversees the Senior Management's activities in managing the key risk areas of the Group and to ensure that the risk management process is in place and functioning effectively. The RMC is responsible for driving the risk management framework of the Group and to report to the Board on its recommendations and/or decisions. Through structured reporting from the Risk Management Working Committee ("RMWC"), RMC will consolidate the status of the risks and present them to the Board for consideration.

RMWC serves as and provides a platform for two way communications between the management and the RMC on matters of the Group's risk management framework and its strategies. RMWC is responsible in formulating risk management strategies, policies and risk tolerance for RMC review and onward transmission of recommendation to the Board. RMWC determines the allocation of risks by cascading and/or escalating to the relevant owners. RMWC also oversees the compliance of all risk management process by all departments of the Group and provides pre-emptive recommendations to ensure timely action is taken in managing and mitigating the identified risks.

Notes to the Financial Statements

38. RISK MANAGEMENT FRAMEWORK (CONTINUED)

Asset and Liability Management ("ALM") Framework

The Investment Committee ("IC") has been tasked to manage business practices so that decisions and actions taken with respect to assets and liabilities are coordinated. It involves various management activities and responsibilities, including the formulation of long-term strategic goals and objectives and the management of various risks including liquidity risk, interest rate risk and market risk.

The ALM process chosen will reflect external and internal constraints.

- External constraints include supervisory and legislative requirements, the interests and expectations of policyholders and other stakeholders. A significant constraint is the liquidity of the assets and liabilities which may compromise the ability to price, measure and hedge exposures.
- Internal constraints such as asset allocation limits reflect the Group's management philosophy or professional judgement (although this may also be influenced by external constraints).

Governance and regulatory framework

The Group is required to comply with the requirements of the Financial Services Act, 2013, relevant laws and guidelines required by BNM, including relevant guidelines from Life Insurance Association Malaysia ("LIAM"), Persatuan Insurans Am Malaysia ("PIAM") and Bursa Securities Malaysia Berhad.

The Group is also required to comply with all Allianz SE Group's policies and standards. If there is any conflict with the local laws or regulations, the local laws or regulations have priority while the stricter will apply where possible.

39. INSURANCE RISK

Insurance risk includes the risk of incurring higher claims costs than expected owing to the random nature of claims, frequency and severity and the risk of change in the legal or economic conditions of insurance or reinsurance cover. This may result in the insurer having either received too little premium for the risks it has agreed to underwrite and hence has not enough funds to invest and pay claims, or that claims are in excess of those expected.

The Group seeks to minimise insurance risk through a formalised reinsurance arrangement with an appropriate mix and spread of business between classes of business based on its overall strategy. This is complemented by observing formalised underwriting guidelines and limits and standards applied to the security of reinsurers.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.1 Life insurance contracts

The insurance risk of Life insurance contracts consists of mortality/longevity/morbidity and calamity risks. Mortality/longevity/morbidity risk represents the risk of loss attributable to positive or negative changes in the assumed medical prognosis for life expectancy, occupational disability, illness and the need for long-term care as well as underestimation of these probabilities. Calamity risk represents the risk of loss because of strong short-term fluctuation in the mortality rate, for example as a result of war or epidemics.

The table below shows the concentration of actuarial liabilities by type of contract (with DPF and without DPF).

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 2020							
Whole life	2,427,777	1,620,348	4,048,125	-	1,018	1,018	4,049,143
Endowment	587,384	2,950,119	3,537,503	-	-	-	3,537,503
Mortgage	-	63,003	63,003	-	(33,220)	(33,220)	29,783
Riders and others	721,862	696,583	1,418,445	(240)	(6,646)	(6,886)	1,411,559
Total	3,737,023	5,330,053	9,067,076	(240)	(38,848)	(39,088)	9,027,988
			Note 17(a)			Note 17(a)	Note 17(a)
31 December 2019							
Whole life	2,415,937	1,448,107	3,864,044	-	1,103	1,103	3,865,147
Endowment	574,916	2,398,284	2,973,200	-	-	-	2,973,200
Mortgage	-	66,000	66,000	-	(34,652)	(34,652)	31,348
Riders and others	709,596	491,470	1,201,066	-	-	-	1,201,066
Total	3,700,449	4,403,861	8,104,310	-	(33,549)	(33,549)	8,070,761
			Note 17(a)			Note 17(a)	Note 17(a)

As all of the business is derived from Malaysia, the entire actuarial liabilities are in Malaysia. There is no investment contract issued by ALIM during the current and previous financial years.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)**39.1 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' mortality and morbidity risk charges. Mortality and morbidity assumptions vary by product type and underwriting procedures.

ALIM can increase the mortality/morbidity risk charges in future years in line with emerging experience for investment-linked and universal life contracts.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Expenses**
Expense assumption was set during initial pricing stage. Expense assumption is inflated annually to reflect higher cost of underwriting, issuing and maintaining the policies. Expense assumption varies by premium term, distribution channel, policy duration and underwriting procedures. The expense assumption is reviewed annually; it is compared to actual expense that ALIM incurred.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Persistency**
Experience study on persistency (lapse, surrender, premium holiday, partial withdrawal) is carried out on an annual basis using statistical method. Persistency assumptions vary by product type, distribution channel and policy duration.

An appropriate allowance for provision of risk margin for adverse deviation from expected experience is made in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

- **Discount rate**
In the valuation of the total benefits insurance liabilities of participating life policies, ALIM has assumed a long term gross rate of return of 3.75% - 5.75% per annum (2019: 4.25% - 6.25% per annum). The long term gross rate of return is derived based on a basket of strategic asset allocations. ALIM calculates long term gross rate by assuming each asset class will earn the targeted yield. The strategic asset allocation and targeted yield are reviewed annually in accordance to the ALIM's investment philosophy, market condition and the prevailing long term market return for each asset class.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.1 Life insurance contracts (continued)

Key assumptions (continued)

- Discount rate (continued)
Malaysian Government Securities ("MGS") spot rate is used in the valuation of non-participating life policies, the guaranteed benefits insurance liabilities of participating life policies, and non-unit actuarial liabilities of investment-linked policies.

Risk-free discount rate for durations of less than 15 years is zero-coupon spot yields of MGS with matching duration. Risk-free discount rate for durations of 15 years or more is zero-coupon spot yields of MGS with 15 years term to maturity. Duration is the term to maturity of each future cash flow. The MGS zero-coupon spot yields are obtained from a recognised bond pricing agency in Malaysia.

The valuation of actuarial liabilities as at 31 December 2020 has taken into account the COVID-19 impact.

The assumptions that have significant effects on the gross actuarial liabilities and reinsurance assets are listed below.

Group	Mortality and morbidity rates ⁽¹⁾		Lapse and surrender rates		Discount rate	
	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%
Type of business						
With fixed and guaranteed terms and with DPF contracts						
Life insurance	60-70	60-70	3.0-20	2.0-20	3.75-5.75	4.25-6.25
Without DPF contracts					MGS	MGS
Life insurance	55-110	55-110	3.0-70	2.0-65	spot yield	spot yield

⁽¹⁾ Industry mortality and morbidity experience tables that were observed in Malaysia between year 1999 and 2003 or the respective reinsurance risk rates.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.1 Life insurance contracts (continued)

Sensitivities

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit after tax and equity. Sensitivities testing on individual assumptions are meaningful to analyse the magnitude of reserve changes for each assumption. However, it should be studied with care as it does not capture the possible correlation effect when all assumptions are being stressed simultaneously. It should be noted that movements in these assumptions are non-linear. Sensitivity information will also vary according to the current economic assumptions.

Group	Change in assumptions	Impact on profit after tax/equity RM'000	Impact on gross liabilities* RM'000	Impact on net liabilities* RM'000
Life insurance contracts				
31 December 2020				
Mortality and morbidity rates	+5%	(4,220)	9,956	7,941
Discount rate	-0.5%	(13,325)	71,544	70,598
Expenses	+10%	(6,287)	12,034	12,034
Lapse and surrender rates	-10%	(639)	8,986	9,019
31 December 2019				
Mortality and morbidity rates	+5%	(3,600)	9,289	7,143
Discount rate	-0.5%	(13,627)	73,385	72,385
Expenses	+10%	(6,198)	12,218	12,218
Lapse and surrender rates	-10%	(577)	7,387	7,419

The method used and key assumptions made for deriving sensitivity information did not change from the previous year.

The above illustration is only prepared for adverse scenario, where the key assumptions are being moved in an unfavourable direction. In the sensitivity analysis above, changes in assumptions for life non-participating business would impact the profit after tax and insurance contract liabilities. In respect of life participating insurance business, it would only impact the insurance contract liabilities.

- * The impact on gross and net liabilities only reflects the changes in the prescribed assumptions above without adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts

The insurance risk of general insurance contracts consists of premium and reserve risks. Premium risk represents the risk of loss because of an unexpected high loss volume resulting in an insufficient coverage of premiums. Reserve risk represents the risk of loss resulting from deviations between payments for incurred losses that have not yet been settled and the reserves set up to cover these payments, or the use of an insufficient basis for the calculation of reserves.

The table below sets out the concentration of the general insurance risk based on the provision for outstanding claims (before impairment of reinsurance assets) as at the end of the reporting period by type of contract.

Group	Note	2020			2019		
		Gross RM'000	Reinsurance RM'000	Net RM'000	Gross RM'000	Reinsurance RM'000	Net RM'000
Fire		366,739	(92,821)	273,918	360,755	(165,609)	195,146
Motor		1,493,730	(98,646)	1,395,084	1,368,723	(94,522)	1,274,201
Marine, aviation, cargo and transit		169,843	(140,589)	29,254	208,890	(173,930)	34,960
Miscellaneous		694,243	(405,341)	288,902	615,876	(326,295)	289,581
Total	17(b)	2,724,555	(737,397)	1,987,158	2,554,244	(760,356)	1,793,888

Key assumptions

The principal assumption underlying the liability estimates is that the subsidiary's future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs and claim numbers for each accident year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example one-off occurrence as well as internal factors such as portfolio mix, policy conditions and claims handling procedures.

No discounting is made to the recommended claims and premium liability provisions as a prudent measure. In addition, no explicit inflation adjustment has been made to claims amount payable in the future. However, implicit inflation is allowed for future claims to the extent evident in past claims development. It is worthwhile to note that discounting is unlikely to result in any material impact due to the short tail nature of almost all classes, coupled with the low prevailing interest rate environment.

The subsidiary has based its risk margin for adverse deviation ("PRAD") for the unexpired risks reserves and insurance claims at the minimum 75% confidence level of sufficiency, according to the requirement set by BNM under the RBC Framework for Insurers. The valuation of claims and premium liabilities as at 31 December 2020 have taken into account the COVID-19 impact.

Sensitivities

Analysis of sensitivity around various scenarios provides an indication of the adequacy of the subsidiary's estimation process in respect of its insurance contracts. The table presented below demonstrates the sensitivity of the insurance contract liabilities estimates to particular movements in assumptions used in the estimation process.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Sensitivities (continued)

The analysis below is performed for reasonable possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Group	Change in assumptions	Impact on gross liabilities RM'000	Impact on net liabilities RM'000	Impact on profit after tax RM'000	Impact on equity* RM'000
31 December 2020					
Average claim cost	+10%	275,699	203,359	(154,553)	(154,553)
Average number of claims	+10%	275,955	231,201	(175,713)	(175,713)
Average claim settlement period	Increased by 6 months	27,423	20,615	(15,667)	(15,667)
31 December 2019					
Average claim cost	+10%	254,536	181,949	(138,281)	(138,281)
Average number of claims	+10%	300,307	237,923	(180,822)	(180,822)
Average claim settlement period	Increased by 6 months	30,293	22,305	(16,952)	(16,952)

* Impact on equity reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and key assumptions did not change from the previous year.

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

Claims development table

The following tables show the estimate of cumulative incurred claims, including both claims notified and IBNR for each successive accident year at the end of each reporting period, together with cumulative payments to date.

While the information in the tables provides a historical perspective on the adequacy of the unpaid claims estimate established in previous years, users of these financial statements are cautioned against extrapolating redundancies or deficiencies of the past on current unpaid loss balances.

The management of the subsidiary believes that the estimate of total claims outstanding as of 31 December 2020 is adequate. However, due to the inherent uncertainties in the reserving process, it cannot be assured that such balances will ultimately prove to be adequate.

Gross general insurance claims liabilities as at 31 December 2020:

Group Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		1,145,412	1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	1,509,464	1,429,139	
One year later		1,182,773	1,193,164	1,278,469	1,368,219	1,406,527	1,380,596	1,453,938	-	
Two years later		1,119,096	1,154,151	1,256,084	1,352,452	1,362,861	1,372,723	-	-	
Three years later		1,096,339	1,141,005	1,235,679	1,325,371	1,336,934	-	-	-	
Four years later		1,167,402	1,141,354	1,224,698	1,254,542	-	-	-	-	
Five years later		1,157,674	1,135,385	1,203,126	-	-	-	-	-	
Six years later		1,132,788	1,103,220	-	-	-	-	-	-	
Seven years later		1,108,045	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		1,108,045	1,103,220	1,203,126	1,254,542	1,336,934	1,372,723	1,453,938	1,429,139	

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)**Gross general insurance claims liabilities as at 31 December 2020 (continued):*

Group Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		344,439	375,685	387,586	514,882	561,727	541,747	575,409	498,001	
One year later		729,326	771,098	861,538	924,136	979,473	946,706	886,123	-	
Two years later		857,382	924,769	1,013,855	1,054,371	1,104,992	1,052,957	-	-	
Three years later		916,928	986,338	1,070,252	1,116,845	1,145,041	-	-	-	
Four years later		1,065,902	1,017,591	1,092,007	1,134,220	-	-	-	-	
Five years later		1,072,513	1,024,854	1,102,559	-	-	-	-	-	
Six years later		1,077,989	1,029,103	-	-	-	-	-	-	
Seven years later		1,081,856	-	-	-	-	-	-	-	
Cumulative payments to-date		1,081,856	1,029,103	1,102,559	1,134,220	1,145,041	1,052,957	886,123	498,001	
Gross general insurance claims liabilities (direct and facultative)	98,700	26,189	74,117	100,567	120,322	191,893	319,766	567,815	931,138	2,430,507
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustment)										40,359
Best estimate of claims liabilities										2,470,886
Claims handling expenses										25,714
PRAD at 75% confidence level										227,975
Gross general insurance claims liabilities										2,724,555

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)**Gross general insurance claims liabilities as at 31 December 2019:*

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		951,237	1,145,412	1,251,432	1,349,116	1,430,684	1,471,640	1,465,757	1,509,464	
One year later		848,149	1,182,773	1,193,164	1,278,469	1,368,219	1,406,527	1,380,596	-	
Two years later		835,047	1,119,096	1,154,151	1,256,084	1,352,452	1,362,861	-	-	
Three years later		834,615	1,096,339	1,141,005	1,235,679	1,325,371	-	-	-	
Four years later		824,626	1,167,402	1,141,354	1,224,698	-	-	-	-	
Five years later		822,964	1,157,674	1,135,385	-	-	-	-	-	
Six years later		811,411	1,132,788	-	-	-	-	-	-	
Seven years later		770,745	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		770,745	1,132,788	1,135,385	1,224,698	1,325,371	1,362,861	1,380,596	1,509,464	

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)**Gross general insurance claims liabilities as at 31 December 2019 (continued):*

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		259,072	344,439	375,685	387,586	514,882	561,727	541,747	575,410	
One year later		544,612	729,326	771,098	861,538	924,136	979,473	946,706	-	
Two years later		648,982	857,382	924,769	1,013,855	1,054,371	1,104,992	-	-	
Three years later		711,572	916,928	986,338	1,070,252	1,116,845	-	-	-	
Four years later		731,860	1,065,902	1,017,591	1,092,007	-	-	-	-	
Five years later		740,708	1,072,513	1,024,854	-	-	-	-	-	
Six years later		741,565	1,077,989	-	-	-	-	-	-	
Seven years later		743,512	-	-	-	-	-	-	-	
Cumulative payments to-date		743,512	1,077,989	1,024,854	1,092,007	1,116,845	1,104,992	946,706	575,410	
Gross general insurance claims liabilities (direct and facultative)	100,624	27,233	54,799	110,531	132,691	208,526	257,870	433,890	934,055	2,260,219
Gross general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustment)										44,839
Best estimate of claims liabilities										2,305,058
Claims handling expenses										23,858
PRAD at 75% confidence level										225,328
Gross general insurance claims liabilities										<u>2,554,244</u>

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)**Net general insurance claims liabilities as at 31 December 2020:*

Group Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		875,651	971,458	1,101,455	1,200,101	1,279,931	1,316,381	1,288,646	1,275,378	
One year later		817,971	932,778	1,073,872	1,123,821	1,228,773	1,250,031	1,262,739	-	
Two years later		799,099	906,323	1,049,986	1,097,165	1,198,917	1,224,761	-	-	
Three years later		798,047	897,675	1,021,432	1,075,612	1,173,951	-	-	-	
Four years later		791,855	888,196	1,014,846	1,069,385	-	-	-	-	
Five years later		768,990	882,916	1,003,396	-	-	-	-	-	
Six years later		749,930	857,984	-	-	-	-	-	-	
Seven years later		-	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		749,930	857,984	1,003,396	1,069,385	1,173,951	1,224,761	1,262,739	1,275,378	

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)**Net general insurance claims liabilities as at 31 December 2020 (continued):*

Group Accident year	Before 2013 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	2020 RM'000	Total RM'000
At end of accident year		294,253	326,832	356,733	468,300	518,300	507,250	496,380	478,287	
One year later		572,157	638,954	746,891	817,863	896,008	888,891	839,564	-	
Two years later		667,310	743,920	872,368	925,817	998,910	983,920	-	-	
Three years later		704,910	790,073	918,932	972,070	1,034,851	-	-	-	
Four years later		724,817	809,772	934,819	988,580	-	-	-	-	
Five years later		729,683	815,609	943,446	-	-	-	-	-	
Six years later		733,554	817,744	-	-	-	-	-	-	
Seven years later		735,919	-	-	-	-	-	-	-	
Cumulative payments to-date		735,919	817,744	943,446	988,580	1,034,851	983,920	839,564	478,287	
Net general insurance claims liabilities (direct and facultative)	15,503	14,012	40,240	59,950	80,805	139,099	240,841	423,174	797,091	1,810,716
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										36,755
Best estimate of claims liabilities										1,847,471
Claims handling expenses										25,715
PRAD at 75% confidence level										116,550
Net general insurance claims liabilities										1,989,736

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)***Net general insurance claims liabilities as at 31 December 2019:**

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		675,019	875,651	971,458	1,101,455	1,200,101	1,279,931	1,316,381	1,288,646	
One year later		616,026	817,971	932,778	1,073,872	1,123,821	1,228,773	1,250,031	-	
Two years later		611,364	811,555	906,323	1,049,986	1,097,165	1,198,917	-	-	
Three years later		612,798	799,099	897,675	1,021,432	1,075,612	-	-	-	
Four years later		605,242	798,047	888,196	1,014,846	-	-	-	-	
Five years later		605,079	791,855	882,916	-	-	-	-	-	
Six years later		594,527	768,990	-	-	-	-	-	-	
Seven years later		571,478	-	-	-	-	-	-	-	
Current estimate of cumulative claims incurred		571,478	768,990	882,916	1,014,846	1,075,612	1,198,917	1,250,031	1,288,646	

Notes to the Financial Statements

39. INSURANCE RISK (CONTINUED)

39.2 General insurance contracts (continued)

*Claims development table (continued)**Net general insurance claims liabilities as at 31 December 2019 (continued):*

Group Accident year	Before 2012 RM'000	2012 RM'000	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	Total RM'000
At end of accident year		216,325	294,253	326,832	356,733	468,300	518,300	507,250	551,634	
One year later		424,771	572,157	638,954	746,891	817,863	896,008	888,891	-	
Two years later		497,895	667,310	743,920	872,368	925,817	998,910	-	-	
Three years later		533,335	704,910	790,073	918,932	972,070	-	-	-	
Four years later		546,263	724,817	809,772	934,819	-	-	-	-	
Five years later		551,615	729,683	815,609	-	-	-	-	-	
Six years later		553,220	733,553	-	-	-	-	-	-	
Seven years later		554,799	-	-	-	-	-	-	-	
Cumulative payments to-date		554,799	733,553	815,609	934,819	972,070	998,910	888,891	551,634	
Net general insurance claims liabilities (direct and facultative)	15,079	16,349	35,437	67,308	80,027	103,542	200,007	361,140	737,012	1,615,901
Net general insurance claims liabilities (treaty inwards, MNRB, Business outside Malaysia, MMIP and other adjustments)										41,020
Best estimate of claims liabilities										1,656,921
Claims handling expenses										23,857
PRAD at 75% confidence level										115,696
Net general insurance claims liabilities										<u>1,796,474</u>

Notes to the Financial Statements

40. FINANCIAL RISKS

Exposure to credit, liquidity, market (currency risk, interest rate risk, equity price risk) and operational risk arises in the normal course of the Group's and the Company's business. The Group and the Company are guided by its risk management framework as well as policies and guidelines from the holding company, Allianz SE which set out its general risk management philosophy. Through financial risk management, business strategies are evaluated to ensure their appropriateness to the strategic, operational and financial risks tolerance.

40.1 Credit risk

Credit risk is the risk of a financial loss to the Group and the Company if a counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from the reinsurance assets, insurance receivables and the investment/placement in fixed income instruments and bank balances. The Company's exposure to credit risk arises principally from subordinated loan to subsidiary. Financial loss may materialise when the counterparties failed to meet payment obligations for various reasons.

The Group has credit policies in place to mitigate the credit risk from underwriting of insurance business and it is monitored on an on-going basis. Reinsurance is mainly to local insurers or offshore reinsurers, and if the Group has to place overseas, only counterparties that have a credit rating that is acceptable based on Allianz Guidelines for Reinsurance Security are used.

With effect from 12 September 2008, all new bond investment must carry a minimum rating of AA- by rating agencies established in Malaysia or a minimum rating of BBB- by any internationally recognized agency as outlined in the Group's Investment Mandate which is approved by the Board of Directors.

The Group and the Company consider rating of BBB and above as investment grades and ratings below BBB as non-investment grades. Assets which are not rated by rating agencies are classified as non-rated.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	Neither past-due nor impaired										Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000			
2020											
LAR											
Other loans	-	-	-	-	-	84,722	-	-	-	84,722	
Fixed and call deposits	71,937	687,175	-	-	-	-	123,565	-	-	882,677	
AFS financial investments											
Malaysian government securities	-	-	-	-	-	2,864,805	-	-	-	2,864,805	
Malaysian government guaranteed bonds	-	-	-	-	-	2,315,457	-	-	-	2,315,457	
Unquoted bonds of corporations in Malaysia	718,121	688,311	25,744	3,749	-	9,806	-	-	-	1,445,731	

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

Group	Neither past-due nor impaired										
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000	Total RM'000		
2020 (continued)											
FVTPL - HFT financial investments											
Malaysian government securities	-	-	-	-	-	1,315,429	125,122	-	1,440,551		
Malaysian government guaranteed bonds	-	-	-	-	-	799,002	29,396	-	828,298		
Unquoted bonds of corporations in Malaysia	464,274	554,209	31,907	-	-	2,074	460,828	-	1,513,292		
FVTPL - DUJR financial investments											
Malaysian government securities	-	-	-	-	-	1,307,299	-	-	1,307,299		
Malaysian government guaranteed bonds	-	-	-	-	-	534,025	-	-	534,025		
Unquoted bonds of corporations in Malaysia	960,127	983,136	5,269	5,182	-	51,014	-	-	2,004,728		

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

Group	Neither past-due nor impaired								Past-due but not impaired	Total
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000			
2020 (continued)										
FVTPL - DUJR financial investments (continued)										
Unquoted bonds of corporations outside Malaysia	-	-	7,878	75,569	-	42,280	-	-	-	125,727
Negotiable certificates of deposits and structured deposits	73,148	-	-	-	-	-	-	-	-	73,148
Derivative financial assets										
Collateralised interest rate swap	59,496	-	-	-	-	-	-	-	-	59,496
Cross currency swap	5,366	-	-	-	-	-	-	-	-	5,366
Forward purchase agreements	16,876	-	-	-	-	-	-	-	-	16,876
Reinsurance assets	-	410,289	92,936	796	-	90,296	-	-	-	594,317
Insurance receivables	-	2,371	37,409	9	-	129,770	-	-	30,092 [#]	199,651
Other receivables and deposits	-	-	-	-	-	154,652	6,433	-	-	161,085
Cash and cash equivalents	674,825	306,200	4,211	-	-	336	190,391	-	-	1,175,963
	3,044,170	3,631,691	205,354	85,305	-	9,700,967	935,735	30,092	17,633,314	

[#] Net of balances which are past due and impaired of RM55,865,000 which has been fully provided (See Note 40.1(ii)).

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Total RM'000
2020							
Fixed and call deposits	6,461	16,163	-	-	-	-	22,624
Other receivables and deposits	-	-	-	-	-	286,414	286,414
Cash and cash equivalents	11,059	-	-	-	-	-	11,059
	17,520	16,163	-	-	-	286,414	320,097

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Group	Neither past-due nor impaired										Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Past-due but not impaired RM'000			
2019											
LAR											
Malaysian government guaranteed loans	-	-	-	-	-	190,504	-	-	-	190,504	
Other loans	-	-	-	-	-	87,864	-	-	-	87,864	
Fixed and call deposits	263,674	352,558	-	-	-	-	113,313	-	-	729,545	
AFS financial investments											
Malaysian government securities	-	-	-	-	-	2,554,680	-	-	-	2,554,680	
Malaysian government guaranteed bonds	-	-	-	-	-	1,846,320	-	-	-	1,846,320	
Ringgit denominated bonds by foreign issuers outside Malaysia	25,389	-	-	-	-	-	-	-	-	25,389	
Unquoted bonds of corporations in Malaysia	798,049	500,881	30,786	3,749	-	-	-	-	-	1,333,465	
Structured deposits and negotiable certificate of deposits with licensed financial institutions	20,348	-	-	-	-	-	-	-	-	20,348	

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

Group	Neither past-due nor impaired						Investment-linked funds	Past-due but not impaired	Total
	AAA	AA	A	BBB	Non-investment grade	Non-rated			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019 (continued)									
FVTPL - HFT financial investments									
Malaysian government securities	-	-	-	-	-	1,028,505	87,808	-	1,116,313
Malaysian government guaranteed bonds	-	-	-	-	-	751,953	33,778	-	785,731
Ringgit denominated bonds by foreign issuers outside Malaysia	1,525	-	-	-	-	-	3,554	-	5,079
Unquoted bonds of corporations in Malaysia	532,489	390,289	30,955	-	-	2,102	414,524	-	1,370,359
FVTPL - DUJR financial investments									
Malaysian government securities	-	-	-	-	-	780,944	-	-	780,944
Malaysian government guaranteed bonds	-	-	-	-	-	565,583	-	-	565,583
Ringgit denominated bonds by foreign issuers outside Malaysia	10,155	-	-	-	-	-	-	-	10,155
Unquoted bonds of corporations in Malaysia	1,077,094	683,145	20,414	5,181	-	50,448	-	-	1,836,282

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Group by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade (continued).

Group	Neither past-due nor impaired								Investment-linked funds RM'000	Past-due but not impaired RM'000	Total RM'000
	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non-investment grade RM'000	Non-rated RM'000					
2019 (continued)											
FVTPL - DUJR financial investments (continued)											
Unquoted bonds of corporations outside Malaysia	-	-	28,182	52,248	-	40,588	-	-	-	-	121,018
Structured deposits with licensed financial institutions	892	-	-	-	-	72,560	-	-	-	-	73,452
Derivative financial assets											
Collateralised interest rate swap	36,804	-	-	-	-	-	-	-	-	-	36,804
Cross currency swap	4,412	-	-	-	-	-	-	-	-	-	4,412
Forward purchase agreements	20,961	-	-	-	-	-	-	-	-	-	20,961
Reinsurance assets	-	437,418	94,337	31	-	75,125	-	-	-	-	606,911
Insurance receivables	-	3,044	36,990	-	-	137,976	-	-	17,342*	-	195,352
Other receivables and deposits	-	-	-	-	-	163,474	722	-	-	-	164,196
Cash and cash equivalents	887,462	522,913	1,658	-	-	295	187,725	-	-	-	1,600,053
	3,679,254	2,890,248	243,322	61,209	-	8,348,921	841,424	17,342	16,081,720		

[#] Net of balances which are past due and impaired of RM59,624,000 which has been fully provided (See Note 40.1(ii)).

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

Credit exposure by credit rating (continued)

The table below provides information regarding the credit risk exposure of the Company by classifying financial assets according to the credit rating agencies' credit ratings of counterparties. AAA is the highest possible rating. Financial assets that fall outside the range of AAA to BBB are classified as speculative grade.

Company	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Total RM'000
2019							
Fixed and call deposits	2,042	3,864	-	-	-	-	5,906
Other receivables and deposits	-	-	-	-	-	210,913	210,913
Subordinated loan	-	-	-	-	-	54,300	54,300
Cash and cash equivalents	14,256	7,671	-	-	-	-	21,927
	16,298	11,535	-	-	-	265,213	293,046

The Group has not provided the credit risk analysis for the financial assets of the investment-linked funds. This is due to the fact that, in investment-linked business, the liability to policyholders is linked to the performance and value of the assets that back those liabilities and the shareholders have no direct exposure to any credit risk in those assets.

(i) Past-due but not impaired financial assets

Age analysis of financial assets past-due but not impaired

The Group maintains an ageing analysis in respect of insurance receivables only. The ageing of insurance receivables that are past-due but not impaired as at the reporting date is as follows:

Group	1 to 30 days RM'000	31 to 60 days RM'000	61 to 90 days RM'000	> 91 days RM'000	Total RM'000
2020					
Insurance receivables	8,638	5,768	6,849	8,837	30,092
2019					
Insurance receivables	5,609	2,738	2,881	6,114	17,342

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.1 Credit risk (continued)

(ii) Past-due and impaired financial assets

As at 31 December 2020, based on a combination of collective and individual assessment of receivables, there are impaired insurance receivables amounting to RM55,865,000 (2019: RM59,624,000), reinsurance assets of RM2,578,000 (2019: RM2,586,000) and other receivables of RM742,000 (2019: RM4,558,000) respectively. No collateral is held as security for any past-due or impaired financial assets. The Group records impairment allowance for insurance receivables and other receivables in separate allowance for impairment accounts. A reconciliation of the allowance for impairment losses for the aforesaid insurance receivables and other receivables are as follows:

Group	Insurance receivables		Reinsurance assets		Other receivables	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	59,624	59,704	2,586	2,615	4,558	1,471
Impairment loss (reversed)/ recognised	(2,415)	157	(8)	(29)	2,045	3,087
Written off during the year	(1,344)	(237)	-	-	(5,861)	-
At 31 December	55,865	59,624	2,578	2,586	742	4,558
	Note 12	Note 12	Note 9	Note 9	Note 13	Note 13

40.2 Liquidity risk

Liquidity risk is the risk of loss resulting from the danger that short-term current or future payment obligations cannot be met or can only be met on the basis of altered conditions, along with the risk that in the case of a liquidity crisis of the Group and the Company, refinancing is only possible at higher interest rates or that assets may have to be liquidated at a discount.

Besides monitoring the liquidity position of the Group and the Company on a daily basis, the investment strategies particularly focus on the quality of investments and ensure a sufficient portion of liquid assets in the portfolio. Some other tools used by the Group include ensuring that its assets and liabilities are adequately matched and drawing down of funds to meet claim payments should the claim events exceed a certain amount as provided for in the reinsurance contracts.

Maturity profiles

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on remaining undiscounted contractual obligations, including interest/profit payable.

For insurance contract liabilities of life insurance and provision for claims of general insurance, maturity profiles are determined based on estimated timing of net cash outflows from the recognised insurance liabilities.

Investment-linked funds' liabilities are repayable or transferable on demand and are included in the "up to a year" column. Repayments which are subject to notice are treated as if notice were to be given immediately.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2020								
Insurance contract liabilities								
With DPF	4,259,600	1,367,068	593,498	480,310	1,522,377	2,916,061	6,991	6,886,305
Without DPF	7,892,877	7,488,381	90,511	53,443	229,567	128,090	-	7,989,992
Provision for claims	1,992,729	1,221,487	624,000	121,576	25,666	-	-	1,992,729
Lease liabilities	42,785	18,921	25,420	60	-	-	-	44,401
Insurance payables	489,117	473,125	14,012	1,980	-	-	-	489,117
Other payables and accruals	727,362	727,362	-	-	-	-	-	727,362
Total liabilities	15,404,470	11,296,344	1,347,441	657,369	1,777,610	3,044,151	6,991	18,129,906
Company								
2020								
Other payables and accruals	223,806	223,806	-	-	-	-	-	223,806

Derivative financial liabilities

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2020							
Derivatives held for trading							
Cross currency swaps	-	-	-	(301)	-	-	(301)
Derivatives used for hedging							
Forward purchase agreements							
- Cash inflows	-	-	-	-	-	-	-
- Cash outflows	(39,982)	(56,824)	-	-	-	-	(96,806)
Net cash outflows	(39,982)	(56,824)	-	(301)	-	-	(97,107)

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.2 Liquidity risk (continued)

Maturity profiles (continued)

Non-derivative financial liabilities

Group	Carrying value RM'000	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2019								
Insurance contract liabilities								
With DPF	4,198,875	1,306,008	430,117	548,601	1,540,648	3,830,192	6,991	7,662,557
Without DPF	6,564,795	6,182,707	58,034	87,290	220,580	163,536	-	6,712,147
Provision for claims	1,872,966	1,184,299	573,917	94,135	20,615	-	-	1,872,966
Lease liabilities	57,124	19,316	37,635	3,720	-	-	-	60,671
Insurance payables	424,051	399,759	24,076	216	-	-	-	424,051
Other payables and accruals	675,200	675,200	-	-	-	-	-	675,200
Total liabilities	13,793,011	9,767,289	1,123,779	733,962	1,781,843	3,993,728	6,991	17,407,592

Company

2019

Other payables and accruals	250,048	250,048	-	-	-	-	-	250,048
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Derivative financial liabilities

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a gross basis.

	Up to a year RM'000	1-3 years RM'000	3-5 years RM'000	5-15 years RM'000	Over 15 years RM'000	No maturity date RM'000	Total RM'000
2019							
Derivatives held for trading							
Cross currency swaps	-	-	-	(1,244)	-	-	(1,244)
Derivatives used for hedging							
Forward purchase agreements							
- Cash inflows	-	-	-	-	-	-	-
- Cash outflows	(59,275)	(96,807)	-	-	-	-	(156,082)
Net cash outflows	(59,275)	(96,807)	-	(1,244)	-	-	(157,326)

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk

Market risk is the risk of loss arising due to changes in market prices or parameters influencing market prices, and in particular the resultant interest rate guarantee risks from asset liability management or from changes to participations. This includes changes in market prices due to worsening of market liquidity. Market risk comprises of currency risk, interest rate risk and equity price risk.

The following risk mitigation actions are in place to control and monitor such risk:

- Investment Committee actively monitors the investment activities undertaken by the Group.
- Investment Committee would recommend the initiatives after balancing competing and legitimate objective of various stakeholders.
- The Investment Policy and Mandate which formulated the single counter limits, company limits and sector limits are in place.
- Compliance to such limits is monitored monthly and reported to Risk Management Working Committee/Risk Management Committee on a quarterly basis.
- Stress tests are performed as and when needed.
- Stop loss policy is in place.

The Group also issues investment-linked policies in a number of products. In the investment-linked business, the policyholders bear the investment risk on the assets held in the investment-linked funds as the policy benefits are directly linked to the value of the assets in the funds. The Group's exposure to market risk on this business is limited to the extent that income arising from fund management charges is based on the value of the assets in the funds.

40.3.1 Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to the changes in foreign exchange rates.

The Group's primary transactions are carried out in Ringgit Malaysia (RM) and its exposure to foreign currency risk arises principally with respect to US Dollar (USD), Singapore Dollar (SGD), Thai Baht (THB) and Indonesian Rupiah (IDR). As the Group's business is conducted primarily in Malaysia, the Group's financial assets are also primarily maintained in Malaysia as required under the Financial Services Act, 2013 and hence, primarily denominated in the same currency (RM) as its insurance contract liabilities. Thus, the main foreign exchange risk from recognised assets and liabilities arises from transactions other than those in which insurance contract liabilities are expected to be settled.

As the Group's main foreign exchange risk from recognised assets and liabilities arises from reinsurance transactions for which the balances are expected to be settled and realised in less than a year, the impact arising from sensitivity in foreign exchange rates is deemed minimal as the Group has no significant concentration of foreign currency risk. All foreign currency risk in investment-linked funds is borne by policyholders.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.1 Currency risk (continued)

Exposure to foreign currency risk

The Group's exposure to foreign currency risk, based on carrying amounts as at the end of the reporting period was:

Group	Life fund 2020 RM'000	Investment linked funds 2020 RM'000	Life fund 2019 RM'000	Investment- linked funds 2019 RM'000
Financial assets				
Denominated in				
USD	124,853	9,794	120,157	10,448
SGD	-	1,002	-	1,134
THB	-	51	-	109
IDR	-	19,175	-	18,226

Currency risk sensitivity analysis

It is estimated that a 10% (2019: 10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have decreased the insurance contract liabilities by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

Group	Impact on insurance contract liabilities 2020 RM'000	Impact on insurance contract liabilities 2019 RM'000
Denominated in		
USD	(13,465)	(13,061)
SGD	(100)	(113)
THB	(5)	(11)
IDR	(1,918)	(1,823)

It is estimated that a 10% (2019:10%) strengthening of the Ringgit Malaysia (RM) against the following currencies at the end of the reporting period would have decreased the insurance contract liabilities by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remained constant and ignores any impact of forecasted income and expenses.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.2 Interest rate risk

The Group is affected by changes in market interest rate due to the change in interest rates will affect the value of mark to market fixed income investments and also the valuation of the liabilities, resulting in the risk of not being able to meet product guarantees.

Besides the uncertainty of the cash flows of the insurance funds and scarcity of the longer dated instruments, it is not possible to hold assets that will perfectly match the policy liabilities.

Interest rate risk sensitivity analysis

The analysis below is performed for assumed movements of 100 bps in interest rate with all other variables held constant, showing the impact on the profit after tax, equity and insurance contract liabilities.

Life insurance:

Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
31 December 2020				
Interest rate	+100 basis points	(125,482)	(103,147)	(476,094)
Interest rate	-100 basis points	136,512	112,158	546,660
31 December 2019				
Interest rate	+100 basis points	(69,698)	(76,411)	(480,977)
Interest rate	-100 basis points	94,872	104,518	622,857

The impact on profit after tax would be dependent on whether the interest rate risk resides in shareholders' fund, life non-participating fund, life participating fund, or investment-linked funds. Where the interest rate risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit after tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in interest rate risk would affect the insurance contract liabilities.

* Impact on equity reflects adjustments for tax, where applicable.

** The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.2 Interest rate risk (continued)

Interest rate sensitivity analysis (continued)

General insurance:

Group	Change in variables	Impact on profit after tax RM'000	Impact on equity* RM'000
31 December 2020			
Interest rate	+ 100 basis points	-	(100,984)
Interest rate	+ 50 basis points	-	(50,492)
Interest rate	- 100 basis points	-	100,984
Interest rate	- 50 basis points	-	50,492
31 December 2019			
Interest rate	+ 100 basis points	-	(88,665)
Interest rate	+ 50 basis points	-	(44,332)
Interest rate	- 100 basis points	-	88,665
Interest rate	- 50 basis points	-	44,332

* Impact on equity reflects adjustments for tax, where applicable.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

40.3.3 Equity price risk

Equity price risk is the risk that fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from changes in interest rates or foreign exchange rates), whether those changes are caused by factors specific to the individual financial instrument of its issuer or factors affecting similar financial instruments traded in the market.

The Group's equity price risk exposures relate to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investments securities not held for the account of the investment-linked business.

The Group's equity price risk policy requires it to prioritise capital preservation besides setting limits on overall portfolio, single security and sector holdings. The Group complies with BNM stipulated limits during the financial year and has no significant concentration of equity price risk.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.3 Market risk (continued)

40.3.3 Equity price risk (continued)

Equity price risk sensitivity analysis

The analysis below is performed for reasonable possible movements in key variables with all other variables held constant, showing the impact on profit after tax, equity and insurance contract liabilities. The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, variables had to be changed on an individual basis. It should be noted that movements in these variables are non-linear.

Life insurance:

Group	Changes in variables	2020			2019		
		Impact on profit after tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000	Impact on profit after tax# RM'000	Impact on equity* RM'000	Impact on insurance contract liabilities** RM'000
Market indices							
Market value	+10%	-	-	234,803	-	-	182,429
Market value	-10%	-	-	(234,803)	-	-	(182,429)

[#] The impact on profit after tax would be dependent on whether the equity price risk resides in shareholders' fund, life non-participating fund, life participating fund or investment-linked funds. Where the equity price risk resides in shareholders' fund and life non-participating fund, the impact will be directly to profit after tax and equity of the Group. In respect of life participating fund and investment-linked funds, impact arising from changes in equity price risk would affect the insurance contract liabilities. The above sensitivity test would yield proxy results if market price were to move in the opposite direction, with the Group.

^{*} Impact on equity reflects adjustments for tax, where applicable.

^{**} The impact on insurance contract liabilities only reflects the changes in the prescribed assumptions above without any adjustment to policyholders' bonuses for the life participating business. Impact on insurance contract liabilities also reflects adjustments for tax, where applicable.

The method used for deriving sensitivity information and significant variables did not change from the previous year.

Only life participating fund, universal life fund and investment-linked funds invested in equity securities.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)**40.4 Fair value of financial instruments**

The Group's and the Company's basis in estimation of fair values for financial instruments is as follows:

- The fair values of structured deposits, negotiable certificate of deposits, collateralised forward starting interest rate swap, collateralised interest rate swap, forward purchase agreements and cross currency swap are based on the indicative market prices from the issuing banks.
- The fair values of quoted equity securities of corporations in and outside Malaysia and quoted unit trusts in Malaysia are based on quoted market bid price as at the end of the reporting period.
- The unquoted equity securities of corporations in Malaysia are stated at cost. Where in the opinion of the Directors, there is a decline other than temporary in value of unquoted equity securities, the allowance for impairment is recognised as an expense in the financial year in which the decline is identified.
- The fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by its custodian bank.
- The fair values of unquoted unit trust in and outside Malaysia are based on the net asset values of the unit trusts as at the date of the statements of assets and liabilities obtained from fund managers.
- The carrying amounts of policy loans, mortgage loans, automatic premium loans, fixed and call deposits, subordinated loan, other secured loans, other financial liabilities and advance from holding company reasonably approximate their fair values.
- The carrying amounts of cash and cash equivalents, insurance receivables, other receivables and deposits, insurance payables, other payables and accruals reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

Estimation of the fair values of Malaysian government securities, Malaysian government guaranteed bonds, Ringgit denominated bonds by foreign issuers outside Malaysia, unquoted bonds of corporations in and outside Malaysia are based on the indicative market prices provided by the custodian bank which involve projections of the market yields based on past transactions. There are elements of uncertainty in projecting the expected market yields and these uncertainties arise from changes in underlying risk and overall economic conditions. As such, the projected market yields may be different from the actual market yields in future.

It was not practicable to estimate the fair value of the Group's investment in unquoted equity securities of corporations in Malaysia due to the lack of comparable quoted market prices and the inability to estimate fair value without incurring excessive costs.

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.4 Fair value of financial instruments (continued)

40.4.1 Fair value information

The table below analyses financial instruments carried at fair value.

Group	Fair value of financial instruments carried at fair value				Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000		
2020						
Financial assets						
Malaysian government securities	-	5,612,655	-	5,612,655	5,612,655	5,612,655
Malaysian government guaranteed bonds	-	3,677,880	-	3,677,880	3,677,880	3,677,880
Quoted equity securities of corporations in Malaysia	2,493,098	-	-	2,493,098	2,493,098	2,493,098
Quoted equity securities of corporations outside Malaysia	1,637	-	-	1,637	1,637	1,637
Unquoted bonds of corporations in Malaysia	-	4,963,751	-	4,963,751	4,963,751	4,963,751
Unquoted bonds of corporations outside Malaysia	-	125,727	-	125,727	125,727	125,727
Quoted unit trusts in Malaysia	57,468	-	-	57,468	57,468	57,468
Unquoted unit trusts in Malaysia	-	726,308	-	726,308	726,308	726,308
Unquoted unit trusts outside Malaysia	-	28,385	-	28,385	28,385	28,385
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	73,148	-	73,148	73,148	73,148
Government guaranteed loans	-	-	-	-	-	-
Collateralised forward starting interest rate swap	-	59,496	-	59,496	59,496	59,496
Forward purchase agreements	-	16,876	-	16,876	16,876	16,876
Cross currency swap	-	5,366	-	5,366	5,366	5,366
	2,552,203	15,289,592	-	17,841,795	17,841,795	17,841,795
Financial liabilities						
Cross currency swap	-	301	-	301	301	301
Lease liabilities	-	-	-	-	42,785	42,785
	-	301	-	301	43,086	43,086

Notes to the Financial Statements

40. FINANCIAL RISKS (CONTINUED)

40.4 Fair value of financial instruments (continued)

40.4.1 Fair value information (continued)

The table below analyses financial instruments carried at fair value. (continued)

	Fair value of financial instruments carried at fair value					
Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Total fair value RM'000	Carrying amount RM'000
2019						
Financial assets						
Malaysian government securities	-	4,451,937	-	4,451,937	4,451,937	4,451,937
Malaysian government guaranteed bonds	-	3,197,634	-	3,197,634	3,197,634	3,197,634
Ringgit denominated bonds by foreign issuers outside Malaysia	-	40,623	-	40,623	40,623	40,623
Quoted equity securities of corporations in Malaysia	1,905,352	-	-	1,905,352	1,905,352	1,905,352
Quoted equity securities of corporations outside Malaysia	1,896	-	-	1,896	1,896	1,896
Unquoted bonds of corporations in Malaysia	-	4,540,106	-	4,540,106	4,540,106	4,540,106
Unquoted bonds of corporations outside Malaysia	-	121,018	-	121,018	121,018	121,018
Quoted unit trusts in Malaysia	75,679	-	-	75,679	75,679	75,679
Unquoted unit trusts in Malaysia	-	619,221	-	619,221	619,221	619,221
Unquoted unit trusts outside Malaysia	-	28,021	-	28,021	28,021	28,021
Structured deposits and negotiable certificate of deposits with licensed financial institutions	-	93,800	-	93,800	93,800	93,800
Government guaranteed loans	-	-	-	-	191,506	190,504
Collateralised interest rate swap	-	36,804	-	36,804	36,804	36,804
Forward purchase agreements	-	20,961	-	20,961	20,961	20,961
Cross currency swap	-	4,412	-	4,412	4,412	4,412
	1,982,927	13,154,537	-	15,137,464	15,328,970	15,327,968
Financial liabilities						
Cross currency swap	-	1,244	-	1,244	1,244	1,244
Lease liabilities	-	-	-	-	58,023	58,023
	-	1,244	-	1,244	59,267	59,267

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 (2019: no transfer in either direction).

Notes to the Financial Statements

41. CAPITAL MANAGEMENT

The Group aims to maintain a robust capital management in both its general and life insurance businesses to sustain adequate solvency levels to support business growth, dividend payment to shareholders, return on equity and maintaining capital adequacy above the regulatory requirements. There are no significant changes to the Group's capital management policies and processes during the financial year.

The primary sources of capital of the Group and the Company are shareholder's equity as disclosed in the statement of changes in equity. Share Capital of the Group and the Company comprises ordinary share capital and ICPS.

Regulatory capital requirements

Under the Risk-Based Capital Framework for Insurers ("RBC Framework") issued by BNM, insurance companies need to maintain a capital adequacy level that commensurate with their risk profiles. All insurance companies are required to maintain a minimum Capital Adequacy Ratio ("CAR") of 130% and an internal target capital level required by BNM or level determined under the Internal Capital Adequacy Assessment Process. The internal target capital level will include additional capacity to absorb unexpected losses beyond those that are covered under the minimum required CAR.

The insurance subsidiaries of the Group have been in compliance with the said requirement by maintaining a CAR that is in excess of minimum requirements.

42. CONTINGENT LIABILITIES

On 10 August 2016, the Malaysia Competition Commission ("MyCC") commenced an investigation into an alleged infringement by Persatuan Insurans Am Malaysia ("PIAM") and all 22 general insurers including the Company's general insurance subsidiary, Allianz General Insurance Company (Malaysia) Berhad ("AGIC") of Section 4(2)(a) of the Competition Act 2010 ("CA"). The alleged infringement is in relation to the agreement reached between PIAM and the Federation Of Automobile Workshop Owners' Association Of Malaysia ("FAWOAM") in relation to trade discount rates for parts for certain vehicle makes and labour hourly rates for PIAM Approved Repairers Scheme workshops. These rates were applied by AGIC pursuant to a members' circular issued by PIAM, which arose from Bank Negara Malaysia's ("BNM") directive to PIAM to engage FAWOAM to resolve the issues of parts trade discounts and labour hourly rate.

On 22 February 2017, AGIC received MyCC's notice of proposed decision ("Proposed Decision") that AGIC and all the other 21 general insurers who are members of PIAM have infringed one of the prohibitions under Part II of the CA. The Proposed Decision includes a proposed financial penalty of RM213,454,814 on all the 22 general insurers. AGIC, as one of the members of PIAM, will have a share of RM27,480,883 of the proposed penalty.

On 5 April and 25 April 2017, AGIC submitted the written representations as requested by MyCC. The first session for the Hearing of the Oral Representation took place on 16 October 2017 (on preliminary issues) and 17 October 2017 (on PIAM's Oral Representation). The second session took place on 12 December 2017 and 14 December 2017 wherein other insurers had submitted their Oral Representations. AGIC's Oral Representation took place on 29 January 2018 and the remaining insurers submitted their Oral Representations on 30 January 2018, bringing the Oral Representations of all insurers to a close. Due to the changes of the Members of Commission who heard AGIC's Oral Representation, AGIC's solicitors had requested MyCC to hold de novo (new) proceedings in relation to the AGIC's Oral Representation before the new Members of Commission. AGIC's Oral Representation sessions took place on 19 and 20 February 2019. PIAM had commenced its Oral Representation on 21 February 2019. BNM's Oral Representation took place on 13 May 2019 followed by Oral Representations by several counsel representing 6 insurers. The session on 14 May 2019 was vacated and the Oral Representation by PIAM's Competition Economist (RBB Economics) and the remaining insurers' counsel were heard over 17 and 18 June 2019.

On 25 September 2020, AGIC's solicitors received the Decision that parties have infringed the prohibition under section 4 of the CA and which imposes on each of the 22 general insurers financial penalties for the said infringement.

Notes to the Financial Statements

42. CONTINGENT LIABILITIES (CONTINUED)

In view of the impact of the Covid-19 pandemic, MyCC granted a reduction of 25% of the financial penalties imposed on the 22 general insurers and a moratorium period of up to 6 months for the payment of the financial penalties to be made by 6 equal monthly instalments. The financial penalty imposed on AGIC, taking into account the 25% reduction amounts to RM18,549,595.97.

AGIC had on 13 October 2020 filed a Notice of Appeal with the Competition Appeal Tribunal ("CAT") against the Decision, pursuant to Section 52 of the CA ("Notice of Appeal"). On 23 October 2020, AGIC filed a Stay Application with the CAT pursuant to Section 53 of the CA for the grant of a stay of the Decision particularly in respect of the financial penalty imposed on AGIC and at CAT's request, a formal Notice of Application was filed in relation to the stay of the Decision on 12 November 2020.

In response to AGIC's Notice of Appeal, MyCC had filed a Statement in Reply ("SIR") dated 20 November 2020 with the CAT. AGIC then filed with the CAT on 11 December 2020 its Reply to the SIR to put on record that except for statements of fact, AGIC denies the remaining contents of the SIR and also to reiterate that all issues raised by MyCC had already been addressed in AGIC's Notice of Appeal.

CAT in a letter dated 20 January 2021 informed all parties that the initial case management date for the Appeal and Hearing of the Stay Application fixed for 27 January 2021 was rescheduled to 18 February 2021. The case management and Hearing date earlier fixed for 18 February 2021 before the CAT has now been rescheduled to 25 February 2021 and this would be a virtual session.

The management of AGIC believes that the criteria to disclose the above as a contingent liability are met. Saved as disclosed above, the Group does not have any other contingent assets and liabilities since the last annual balance sheet date.

43. MATERIAL LITIGATION

Virginia Surety Company Labuan Branch ("VSC") had provided reinsurance support to Commerce Assurance Berhad (now known as Bright Mission Berhad and which has since been wound up) ("CAB") previously in respect of CAB's Extended Warranty Program ("EWP").

AGIC took over the general insurance business of CAB on 1 January 2009 and this included the reinsurance business relating to the EWP.

A dispute arose between both parties on the continuing subsistence of the reinsurance agreement from 1 October 2011 onwards. AGIC's legal position is that the reinsurance continued to remain in force from 1 October 2011 and determined only on 30 September 2013. This is disputed by VSC who claim that the treaty reinsurance lapsed on 30 September 2011.

On 11 December 2013, AGIC commenced arbitration proceedings against VSC seeking, inter alia:

- (a) A declaration that the reinsurance subsisted until 30 September 2013;
- (b) A declaration that VSC will pay and/or indemnify AGIC for its claims and losses arising from the reinsurance for the period from 1 October 2011 to 30 September 2013; and
- (c) Damages to be assessed including for loss of profits and breach of contract.

The Closing Submissions and Reply Submissions were filed on 30 August 2017 and 27 September 2017 respectively and the Oral Submissions took place on 12 October 2017 and 13 October 2017. Both parties then filed further written submissions bringing the arbitration proceedings to an end.

Notes to the Financial Statements

43. MATERIAL LITIGATION (CONTINUED)

An Arbitration Award dated 8 February 2018 was received on 20 February 2018. The award, made by 2 arbitrators of the Panel of 3 arbitrators, was in favour of VSC ("Award") whilst the Dissenting Arbitrator found in favour of AGIC.

The Award ordered AGIC to pay the following:

- (a) RM30,593.64 as reimbursement of payment in respect of the Kuala Lumpur Regional Centre for Arbitration's administrative expenses;
- (b) RM425,324.32 as reimbursement of payment in respect of fees and expenses of the arbitral tribunal;
- (c) RM668,160.69 for costs and expenses incurred by VSC; and
- (d) USD10,969.31 as reimbursement for costs incurred in respect of VSC's ex-employee.

AGIC's Originating Summons – High Court

AGIC's solicitors were of the view that there were reasonable grounds to seek a review of the Award, including to set aside the Award. An Originating Summons was filed at the Kuala Lumpur High Court on 29 March 2018 to set aside the Award under Section 37(2)(b)(ii) of the Arbitration Act 2005 ("Act") and for a Reference of Questions of law under Section 42 of the Act. AGIC's solicitors presented their Oral Submissions at the Hearing on 18 February 2019. The Hearing continued on 13 March 2019 during which VSC's solicitor presented its oral arguments and Further Written Submissions. AGIC's solicitors filed the response to VSC's Further Written Submissions on 10 April 2019 and VSC filed its Reply Submissions on 17 April 2019. The Hearing continued and concluded on 18 April 2019. On 28 June 2019, the Court declined the application to set aside the Award ("Decision").

AGIC's solicitors filed a Notice of Appeal to the Court of Appeal against the Decision on 15 July 2019 ("Appeal"). At the first case management on 4 September 2019, the Court of Appeal fixed the next case management for 9 October 2019 and directed the filing of the Record of Appeal by 26 September 2019.

Separately, VSC's solicitors filed an Originating Summons dated 11 September 2019 ("VSC's OS") to recognise and enforce the Award against AGIC, which if allowed, would have resulted in AGIC having to pay VSC all the costs ordered by the Award.

Update on VSC's OS Application

At the first case management on VSC's OS on 26 September 2019, AGIC's solicitors informed the Court that as the Appeal was pending before the Court of Appeal, VSC's OS was premature. The Court then fixed the matter for further case management for VSC's solicitors to address the issue of holding over of VSC's OS, pending the determination of the Appeal. AGIC's solicitors filed a stay application on VSC's OS and on 7 November 2019, the Judge allowed AGIC's stay application and ordered VSC's enforcement proceedings be stayed pending the final determination of the appeal at the Court of Appeal. As the Judge was of the view that VSC'S OS should be withdrawn and filed afresh (should VSC succeed in dismissing the appeal), and since VSC agreed to withdraw the matter, the Judge ordered that VSC's OS be struck out with liberty to file afresh.

Notes to the Financial Statements

43. MATERIAL LITIGATION (CONTINUED)Update on AGIC's Appeal

At the case management on AGIC's Appeal on 9 October 2019, a further case management was fixed on 20 November 2019. On 20 November 2019, a further case management was fixed on 13 January 2020, pending the High Court's substantive Grounds of Decision ("Grounds"). At the case management on 13 January 2020, the Court of Appeal fixed a further case management on 19 February 2020, as AGIC's solicitors had yet to receive the Grounds. On 17 February 2020, the Court of Appeal wrote to parties' solicitors to give notice that the case management fixed for 19 February 2020 was rescheduled to 26 February 2020. On 26 February 2020, the Court of Appeal was informed that AGIC's solicitors had yet to receive the Grounds. As such, a further case management was fixed for 8 April 2020. Just before the effective date of the Movement Control Order, the High Court notified that the Grounds were ready for collection but since AGIC's solicitors were unable to collect the Grounds, at the e-review of the matter on 8 April 2020, a new date for case management was fixed for 15 May 2020. On 15 May 2020, AGIC's solicitors informed the Court of Appeal that the Grounds had since been collected and the Court of Appeal directed for the Memorandum of Appeal and Supplementary Record of Appeal to be filed before the next case management fixed for 9 July 2020. On 9 July 2020, the Court of Appeal fixed a further case management date on 19 August 2020 as the Notes of Proceedings were still pending. At the case management on 19 August 2020, the Court of Appeal fixed the Appeal for Hearing on 2 February 2021 and there will be a further Case Management on 26 January 2021 for the Court to monitor compliance with all appeal directions. On 26 January 2021, the Court of Appeal was updated that all appeal directions had been complied with and the Court of Appeal then directed that the Hearing on 2 February 2021 be conducted virtually via Zoom. On 2 February 2021, the Hearing of the Appeal was adjourned to a date to be fixed later as several other cases were also fixed for hearing that day.

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS**Group**

MFRS 9, *Financial Instruments* replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities and on hedge accounting, effective for annual periods beginning on or after 1 January 2018.

The Group has applied the temporary exemption under Amendments to MFRS 4 - Applying MFRS 9, *Financial Instruments* with MFRS 4, *Insurance Contracts* ("the Amendments") which enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. Hence, the Group has not adopted MFRS 9 for the financial year beginning on or after 1 January 2018.

The Amendments allow entities to avoid temporary volatility in profit or loss that might result from adopting MFRS 9, *Financial Instruments* before the forthcoming new insurance contracts standard.

The Amendments provide 2 different approaches for the Group:

- (i) temporary exemption from MFRS 9 for entities that meet specific requirements; and
- (ii) the overlay approach. Both approaches are optional

The temporary exemption enables eligible entities to defer the implementation date of MFRS 9 to annual periods beginning before 1 January 2023 at the latest. An entity may apply the temporary exemption from MFRS 9 if its activities are predominantly connected with insurance whilst the overlay approach allows an entity to adjust profit or loss for eligible financial assets by removing any accounting volatility to other comprehensive income that may arise from applying MFRS 9.

The Group's business activity is predominantly insurance as the liabilities connected with the Group's insurance businesses made up approximately 90% of the Group's total liabilities. Hence, the Group qualifies for the temporary exemption from applying MFRS 9 and will defer and adopt MFRS 9 together with MFRS 17, *Insurance Contracts* for the financial year beginning on or after 1 January 2023.

Notes to the Financial Statements

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS (CONTINUED)**Group (continued)**

The following additional disclosures, required by Amendments to MFRS 4 for entity qualified and elected the temporary exemption from applying MFRS 9, present the Group's financial assets by their contractual cash flows characteristics, which indicate if they are SPPI:

Fair value as at 31 December 2020	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Investments (Note 10)	7,508,670	11,136,211	18,644,881
Malaysian government securities and government guaranteed bonds	5,180,262	4,110,273	9,290,535
Unquoted bonds of corporations	1,445,731	3,643,747	5,089,478
Quoted equity securities and unit trusts	-	2,552,203	2,552,203
Unquoted equity securities and unit trusts	-	756,840	756,840
Negotiable certificates of deposits and structured deposits	-	73,148	73,148
Fixed and call deposits with licensed banks	882,677	-	882,677
Derivative financial assets	-	81,738	81,738
Other receivables and deposits	161,085	-	161,085
Cash and cash equivalents	1,175,963	-	1,175,963
	8,845,718	11,217,949	20,063,667

Fair value as at 31 December 2019	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Investments (Note 10)	6,700,251	9,297,232	15,997,483
Malaysian government securities and government guaranteed bonds	4,401,000	3,248,571	7,649,571
Unquoted bonds of corporations	1,358,854	3,342,893	4,701,747
Quoted equity securities and unit trusts	-	1,982,927	1,982,927
Unquoted equity securities and unit trusts	-	649,389	649,389
Negotiable certificates of deposits and structured deposits	20,348	73,452	93,800
Government guaranteed loans	190,504	-	190,504
Fixed and call deposits with licensed banks	729,545	-	729,545
Derivative financial assets	-	62,177	62,177
Other receivables and deposits	164,196	-	164,196
Cash and cash equivalents	1,600,053	-	1,600,053
	8,464,500	9,359,409	17,823,909

- * Insurance receivables, reinsurance assets, policy loans, automatic premium loans and deferred acquisition cost have been excluded from the above assessment as they will be under the scope of MFRS 17, *Insurance Contracts*. Other than the financial assets listed in the table above and the assets that are within the scope of MFRS 17, *Insurance Contracts*, all other assets in the statement of financial position are non-financial assets.

Notes to the Financial Statements

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS (CONTINUED)**Group (continued)**

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value during the year			
Investments			
Malaysian government securities and government guaranteed bonds	117,451	99,421	216,872
Unquoted bonds of corporations	21,377	86,142	107,519
Quoted equity securities and unit trusts	-	36,201	36,201
Unquoted equity securities and unit trusts	-	6,700	6,700
Negotiable certificates of deposits and structured deposits	(50)	(1,935)	(1,985)
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	20,560	20,560
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	138,778	247,089	385,867

	Financial assets with SPPI cash flows RM'000	All other financial assets RM'000	Total* RM'000
Changes in fair value in the previous year			
Investments			
Malaysian government securities and government guaranteed bonds	243,060	178,503	421,563
Unquoted bonds of corporations	29,586	117,014	146,600
Quoted equity securities and unit trusts	-	60,511	60,511
Unquoted equity securities and unit trusts	-	3,486	3,486
Negotiable certificates of deposits and structured deposits	(107)	(97)	(204)
Government guaranteed loans	-	-	-
Fixed and call deposits with licensed banks	-	-	-
Derivative financial assets	-	35,801	35,801
Other receivables and deposits	-	-	-
Cash and cash equivalents	-	-	-
Total financial assets	272,539	395,218	667,757

Notes to the Financial Statements

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS (CONTINUED)**Group (continued)****Financial assets with SPPI cash flows at 31 December 2020 ***

Gross carrying amounts under MFRS 139 by credit risk rating grades	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Total RM'000
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	5,180,262	-	5,180,262
Unquoted bonds of corporations	718,121	688,311	25,744	11,097	-	9,806	-	1,453,079
Negotiable certificates of deposits and structured deposits	-	-	-	-	-	-	-	-
Government guaranteed loans	-	-	-	-	-	-	-	-
Fixed and call deposits with licensed banks	71,937	687,175	-	-	-	-	123,565	882,677
Other receivables and deposits	-	-	-	-	-	154,652	6,433	161,085
Cash and cash equivalents	674,825	306,200	4,211	-	-	336	190,391	1,175,963
	1,464,883	1,681,686	29,955	11,097	-	5,345,056	320,389	8,853,066

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Notes to the Financial Statements

44. AMENDMENTS TO MFRS 4 - APPLYING MFRS 9, FINANCIAL INSTRUMENTS WITH MFRS 4, INSURANCE CONTRACTS (CONTINUED)**Group (continued)****Financial assets with SPPI cash flows at 31 December 2019 ***

Gross carrying amounts under MFRS 139 by credit risk rating grades	AAA RM'000	AA RM'000	A RM'000	BBB RM'000	Non- investment grade RM'000	Non- rated RM'000	Investment- linked funds RM'000	Total RM'000
Investments								
Malaysian government securities and government guaranteed bonds	-	-	-	-	-	4,401,000	-	4,401,000
Unquoted bonds of corporations	823,438	500,881	30,786	11,097	-	-	-	1,366,202
Negotiable certificates of deposits and structured deposits	20,348	-	-	-	-	-	-	20,348
Government guaranteed loans	-	-	-	-	-	190,504	-	190,504
Fixed and call deposits with licensed banks	263,674	352,558	-	-	-	-	113,313	729,545
Other receivables and deposits	-	-	-	-	-	163,474	722	164,196
Cash and cash equivalents	887,462	522,913	1,658	-	-	295	187,725	1,600,053
	1,994,922	1,376,352	32,444	11,097	-	4,755,273	301,760	8,471,848

* Credit risk of these financial assets is considered low for the purpose of MFRS 9.

Notes to the Financial Statements

45. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

The World Health Organisation (“WHO”) had on 11 March 2020 declared COVID-19 as a pandemic and it has caused one of the most severe economic and financial market turmoil.

COVID-19 continues to disrupt economies and capital markets worldwide. As would be expected, COVID-19 had significant impact on the Group’s performance, including new business premium, policyholder experience and impact on investment results from market volatility and falling interest rate.

While the results for the year have largely remained resilient, the Group remains cautious in maintaining the same level of profitability for next year amid ongoing uncertainties to the economy arising from the COVID-19 pandemic. The Group will continue to closely monitor and respond to the impact of the pandemic.

On 27 March 2020, Bank Negara Malaysia (“BNM”) had announced a number of measures to assist policyholders to manage the impact of the COVID-19 pandemic. On 29 January 2021, BNM set out additional measures to assist affected consumers to preserve their protection coverage.

The relief measures that are extended to the Group’s policyholders included:

- Deferment of payment of life insurance premiums;
- Flexibilities to reinstate or preserve life insurance protection;
- Expediting claims processing;
- Flexibility to meet general insurance premiums; and
- 6 months interest free instalment repayment option.

Under the relief measures, affected policyholders are eligible to apply for deferment of payment of their life insurance premiums and flexibilities are extended to the affected policyholders to reinstate or preserve their life insurance. The relief measures extended by the Group have no significant impact to the financial performance of the Group for the financial year under review.

Statement by Directors

Pursuant to Section 251 (2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 129 to 268 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

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

.....
Goh Ching Yin
Director

.....
Peter Ho Kok Wai
Director

Kuala Lumpur
Date: 24 February 2021

Statutory Declaration

Pursuant to Section 251 (1)(b) of the Companies Act 2016

I, **Ong Eng Chow**, the officer primarily responsible for the financial management of Allianz Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 129 to 268 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed Ong Eng Chow, I/C No: 650421-71-5931, at Kuala Lumpur in the Federal Territory on 24 February 2021.

.....
Ong Eng Chow

Before me:

Gurdeep Singh A/L Jag Singh

No. W607

Pesuruhjaya Sumpah

Kuala Lumpur

Independent Auditors' Report

To the Members of Allianz Malaysia Berhad

Our opinion

In our opinion, the financial statements of Allianz Malaysia Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 129 to 268.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Independent Auditors' Report

To the Members of Allianz Malaysia Berhad

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Valuation of actuarial liabilities – life insurance contract liabilities Refer to accounting policy in 2.16.5, 2.25.2 and Notes 17(a) and 39.1 of the Financial Statements. As at 31 December 2020, the Group's life insurance contract liabilities comprise actuarial liabilities of RM9,067 million, which account for approximately 51% of the Group's total liabilities. The actuarial liabilities have been estimated based on actuarial valuation methodologies as allowed under the Risk-Based Capital Framework ("RBC Framework") issued by Bank Negara Malaysia ("BNM"). We focused on management's valuation of the actuarial liabilities as it involves significant judgement about uncertain future outcomes, including assumptions on mortality, morbidity, expense, lapse and discount rates, as well as actuarial valuation methodologies.	Our audit procedures included the following: We evaluated the design and tested key controls over the life actuarial reserving process, including controls over the reliability of data used in the calculation of actuarial liabilities. We engaged our actuarial experts to assist us in assessing if the valuation methodologies used by the Group is in line with the valuation methods specified in the RBC Framework and liability adequacy test under MFRS 4 'Insurance Contracts'. We also compared if the valuation methodologies are consistent with recognised actuarial practices from market experience. We assessed the reasonableness of the key actuarial assumptions, particularly around mortality, morbidity, lapse, expense, and discount rates by: - Reviewing the approach used by management to derive the assumptions using our industry knowledge and experience; - Comparing them with the Group's actual historical experience, market observable data (as applicable) and our views of current trends and experience to-date. We performed an independent review of model points on sample basis to assess if the methodologies and assumptions reviewed have been consistently applied. We assessed the analysis of movements in actuarial liabilities to determine whether the movements during the year are consistent with key actuarial assumptions adopted by the Group and our knowledge of developments in the life insurance business. We assessed the appropriateness and adequacy of the Group's disclosures in relation to actuarial liabilities in the financial statements, including sensitivity analysis of the key actuarial assumptions to different scenarios. We also evaluated the Group's assessment of COVID-19 on life insurance contract liabilities, including key judgement used when determining outstanding life insurance contract liabilities. Based on the procedures performed, we found the methodologies and key assumptions used by the Group in the valuation of actuarial liabilities as at 31 December 2020 to be appropriate.

Independent Auditors' Report

To the Members of Allianz Malaysia Berhad

Key audit matters (continued)

Key audit matters	How our audit addressed the key audit matters
Valuation of general insurance contract liabilities Refer to accounting policy in 2.15.5, 2.25.1 and Notes 17(b) and 39.2 of the Financial Statements. As at 31 December 2020, the Group has general insurance contract liabilities of RM3,901 million, consisting of claims liabilities and premium liabilities, which account for approximately 22% of the Group's total liabilities. Claims Liabilities We focused our audit on this area because of the level of subjectivity inherent in estimating the impact of claims events that have occurred but for which the ultimate outcome remains uncertain. The valuation of general insurance claims liabilities involves a range of standard actuarial methodologies as allowed under the RBC Framework and relies on a number of assumptions including past claims development experiences, management's judgment on external factors and regulatory changes, and internal factors such as portfolio mix and claims handling process. The estimation of claims liabilities is sensitive to various factors and uncertainties as discussed in Note 2.25.1. Premium Liabilities As at 31 December 2020, the Group has accounted for RM1,176 million of gross premium liabilities, based on the higher of Unexpired Risk Reserves ("URR") of RM920 million and Unearned Premium Reserves ("UPR") of RM1,176 million as required under the RBC Framework. We focused on this area as the estimation of URR involves significant judgement in identifying best estimate values of future contractual cash flows in consideration of the expected loss and expenses for policies in-force as at year-end at the required risk margin for adverse deviation.	Our audit procedures included the following: We evaluated the design and tested key controls over reserving process, including controls over the completeness and accuracy of premium data, and settlement of claims that support key reserving calculations and controls over the valuation of claims and premium liabilities. We tested the underlying data used in estimation of general insurance contract liabilities to source documents. We engaged our actuarial experts to assist us in reviewing and assessing the methodologies, basis and key assumptions used in the valuation of claims liabilities and premium liabilities in accordance with the requirements of the RBC Framework and liability adequacy test under MFRS 4 'Insurance Contracts'. We reviewed and assessed the reasonableness of key actuarial assumptions by referencing to the Group's historical experiences, current trends and our own industry knowledge. Our actuarial experts performed independent re-projections of claims liabilities and unexpired risk reserves ("URR") respectively for selected major classes of business, focusing on the largest and most uncertain claims reserves and URR. The re-projected claims liabilities and URR are compared to those recorded by management and evaluated if they are within reasonable range. We also assessed the appropriateness and adequacy of the Group's disclosures in relation to the general insurance contract liabilities in the financial statements, including the historical claims development and sensitivity analysis of key assumptions used in the valuation of insurance contract liabilities. Specific to current environment, we evaluated the Group's assessment of COVID-19 on claims and premium liabilities, including key judgement used when determining claims liabilities and URR. Based on the procedures performed, we found the methodology and key assumptions used by the Group in the valuation of general insurance contract liabilities as at 31 December 2020 to be appropriate.

Independent Auditors' Report

To the Members of Allianz Malaysia Berhad

Key audit matters (continued)

There are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control, which we obtained prior to the date of this auditors' report, and remaining parts of the annual report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditors' Report

To the Members of Allianz Malaysia Berhad

Key audit matters (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent Auditors' Report

To the Members of Allianz Malaysia Berhad

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT

LLP0014401-LCA & AF 1146

Chartered Accountants

MANJIT SINGH A/L HAJANDER SINGH

02954/03/2021 J

Chartered Accountant

Kuala Lumpur

24 February 2021

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 47th Annual General Meeting ("47th AGM") of Allianz Malaysia Berhad ("Company") will be conducted fully virtual from the broadcast venue at Ballroom A, Level 2, Aloft Kuala Lumpur Sentral, 5 Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur ("Broadcast Venue") on Wednesday, 23 June 2021 at 11.00 a.m. via TIH Online website at <https://tiah.online>, for the following purposes:-

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 and the Directors' and Auditors' Reports thereon.
2. To approve the following payments to Non-Executive Directors of the Company and its insurance subsidiaries:-
 - (a) Directors' fees of RM1,868,976 for the financial year ended 31 December 2020. **Ordinary Resolution 1**
 - (b) Directors' fees effective 1 January 2021 until the next Annual General Meeting of the Company:- **Ordinary Resolution 2**
 - (i) RM10,000 per month to each Non-Executive Director;
 - (ii) RM4,000 per month for each Audit Committee member;
 - (iii) RM3,000 per month for each Risk Management Committee member; and
 - (iv) RM2,000 per month for each Nomination and Remuneration Committee member.
 - (c) Directors' benefits of up to an amount of RM1,263,500 from 24 June 2021 until the next Annual General Meeting of the Company. **Ordinary Resolution 3**
3. To re-elect Solmaz Altin, who retires by rotation in accordance with Clause 19.1 of the Constitution of the Company and being eligible, offer himself for re-election. **Ordinary Resolution 4**
4. To re-elect the following Directors who retire in accordance with Clause 19.7 of the Constitution of the Company and being eligible, offer themselves for re-election:-
 - (a) Goh Ching Yin **Ordinary Resolution 5**
 - (b) Gerard Lim Kim Meng **Ordinary Resolution 6**
5. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2021 and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**

Notice of Annual General Meeting

Special Business

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

6. Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Allianz SE Group **Ordinary Resolution 8**

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions with Allianz SE Group as specified in Section 2.2 (A) of the Company's Circular to Shareholders dated 21 May 2021, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

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

- (a) the conclusion of the next Annual General Meeting of the Company, at which time it will lapse, unless by ordinary resolution passed at the said Annual General Meeting, the authority is renewed; or
- (b) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

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

7. Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Rapidpro Consulting Sdn Bhd **Ordinary Resolution 9**

"THAT pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and/or its subsidiaries to enter into the recurrent related party transactions with Rapidpro Consulting Sdn Bhd as specified in Section 2.2 (B) of the Company's Circular to Shareholders dated 21 May 2021, provided that the transactions are in the ordinary course of business and are on terms not more favourable than those generally available to the public and not to the detriment of the minority shareholders.

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

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

Notice of Annual General Meeting

- (b) the expiration of the period within which next Annual General Meeting is required to be held pursuant to Section 340 (2) of the Companies Act 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340 (4) of the Companies Act 2016); or
- (c) revoked or varied by resolution passed by the shareholders in a general meeting;

whichever is the earlier;

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

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

By Order of the Board

NG SIEW GEK

MAICSA 7001251

CCM PC No. 201908001053

Company Secretary

Kuala Lumpur

21 May 2021

NOTES TO MEMBERS AND PROXIES

1. Registration for Remote Participation and Voting facilities (“RPV”)

- 1.1 The Company’s 47th AGM will be conducted fully virtual at the Broadcast Venue. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to present physically at the Broadcast Venue on the day of the Meeting. Members can attend, speak (posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 47th AGM via the RPV available on TIIH Online website at <https://tiih.online>.
- 1.2 Registration of RPV is open from the date of the Notice of 47th AGM on Friday, 21 May 2021 at 11.00 a.m. until such time before the voting session ends at the 47th AGM on Wednesday, 23 June 2021.
- 1.3 Member(s), proxy(ies), attorney(s) or authorised representative(s) are required to register as a user with TIIH Online website (first time registration only) prior to pre-register their attendance for the 47th AGM for verification of their eligibility to attend the 47th AGM using the RPV based on the **Record of Depositors as at 15 June 2021**.
- 1.4 Please follow the Procedures for RPV provided in the **Administrative Details** for the 47th AGM in order to participate in the 47th AGM remotely via RPV.

2. Submission of Questions Before and During Meeting

- 2.1 Members may submit questions to the Company prior to the 47th AGM via email to InvestorRelations@allianz.com.my or Tricor’s TIIH Online website at <https://tiih.online> by selecting “e-Services” to login, no later than Tuesday, 22 June 2021 at 11.00 a.m.
- 2.2 Alternatively, Members may use the query box to transmit questions to Chairman/Board via RPV during live streaming.

Notice of Annual General Meeting

3. Appointment of Proxy/Proxies

- 3.1 For the purposes of determining a Member who shall be entitled to participate in the forthcoming 47th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 15 June 2021. Only a depositor whose name appears in the Record of Depositors as at 15 June 2021 shall be entitled to participate in the 47th AGM or appoint proxy/proxies to participate on his/her behalf.
- 3.2 Every Member including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991, and Exempt Authorised Nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, is entitled to appoint one (1) or more proxy to exercise all or any of his rights to participate instead of him at the 47th AGM, and that such proxy need not be a Member.
- 3.3 Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 3.4 The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.
- 3.5 The instrument of proxy shall be deposited at the Registered Office of the Company at Level 29, Menara Allianz Sentral, 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur. The instrument of proxy can also be submitted electronically through Tricor's TIH Online website at <https://tiah.online>. Please refer to the Administrative Details for the 47th AGM for further information on proxy form submission. All proxy forms submitted must be received by the Company **no later than Tuesday, 22 June 2021 at 11.00 a.m.**, being twenty-four (24) hours before the appointed time for holding the 47th AGM.
- 3.6 A Member who has appointed a proxy or attorney or authorised representative to participate in the 47th AGM via RPV must request for RPV at Tricor's TIH Online website at <https://tiah.online>. Please follow the Procedures for RPV registration in the Administrative Details for the 47th AGM.

EXPLANATORY NOTES ON ORDINARY BUSINESS

1. Audited Financial Statements for the financial year ended 31 December 2020 ("FY 2020")

The Audited Financial Statements for the FY 2020 and the Directors' and Auditors' Reports thereon are laid before the shareholders pursuant to the provision of Section 340 (1)(a) of the Companies Act 2016 and are for discussion only. Hence, this item will not be put for voting.

2. Directors' Remuneration for Non-Executive Directors (excluding Nominee Directors of Allianz SE) ("NEDs")

Pursuant to Section 230(1)(b) of the Companies Act 2016 which requires fees and any benefits payable to the Directors of listed company and its subsidiaries to be approved at a general meeting, the proposed payment of Directors' fees and Directors' benefits to the NEDs under Ordinary Resolutions 1, 2 and 3 include remuneration payable to NEDs by the Company and its insurance subsidiaries, namely Allianz Life Insurance Malaysia Berhad ("Allianz Life") and Allianz General Insurance Company (Malaysia) Berhad ("Allianz General").

(a) Directors' fees for FY 2020

The respective Boards of the Company and its insurance subsidiaries having reviewed the recommendations of the Nomination and Remuneration Committee ("NRC"), recommended the following Directors' fees payable to the NEDs for the FY 2020, for the shareholders' approval:-

	Company	Allianz Life	Allianz General	Grand Total
Directors' Fees [#]	RM631,077 (2019: RM719,781)	RM571,965 (2019: RM603,119)	RM665,934 (2019: RM713,294)	RM1,868,976 (2019: RM2,036,194)

[#] Excluding Service Tax.

Notice of Annual General Meeting

The Director's fee payable to each of the NEDs and the members of the Board Committees for the FY 2020 are the same as that of the previous financial year.

All the NEDs have abstained from the deliberation and voting on their respective fees at the respective NRC and Board Meetings, where applicable.

(b) Directors' Fees to NEDs and Board Committee members, effective 1 January 2021 to the next annual general meeting ("AGM")

The Directors' remuneration was last reviewed in 2016, following the issuance of the Directors' Remuneration Report 2015 by the Financial Institutions Directors' Education Forum on 7 December 2015. The then Remuneration Committee recommended a 3-year step-up plan (financial years 2016 to 2018) for Directors' remuneration.

The Board approved that a review on the Directors' fees shall be carried out once in every 3 years. Therefore, an independent consultant, KPMG Management & Risk Consulting Sdn Bhd ("KPMG") was engaged by the Board in March 2020 to conduct remuneration review for the Directors ("Board Remuneration Review").

Arising from the Board Remuneration Review, the NRC recommended and the Board approved the following proposed fees for the NEDs with effect from 1 January 2021 and the revised remuneration shall be applicable until the financial year 2023, subject to the shareholders' approval:-

	Current Directors' Fees per annum (RM)		Proposed Directors' Fees per annum (RM)	
	Chairman	Member	Chairman	Member
Company	155,526	132,012	120,000	120,000
Insurance Subsidiaries	144,417	117,108		
Audit Committee	74,616	37,308	48,000	48,000
Risk Management Committee	37,308	18,654	36,000	36,000
NRC	44,436	22,218	24,000	24,000

The Board also proposed that the payment of the Directors' fees for the financial year ending 31 December 2021 ("FY 2021") onwards be made on a monthly basis instead of in arrears after every AGM, subject to the shareholders' approval at the 47th AGM. The Board is of the view that it is just and equitable for the NEDs be paid on a monthly basis upon services rendered by them to the Company and its insurance subsidiaries:-

Fee	Annually (RM)	Monthly (RM)
Director's Fee	120,000	10,000
Audit Committee Fee	48,000	4,000
Risk Management Committee Fee	36,000	3,000
NRC Fee	24,000	2,000

The Ordinary Resolution 2, if passed, will allow the Company and its insurance subsidiaries to make payment of fees to the NEDs and the Board Committee members on a monthly basis from 1 January 2021 to the next AGM of the Company.

Notice of Annual General Meeting

(c) Directors' benefits for the period from 24 June 2021 to the next AGM of the Company

The Directors' benefits comprise allowances and benefits payable to the Chairman and members of the Board of the respective companies as well as Board Committees.

The Board recommended the following for shareholders' approval:-

- (i) No change to the Chairman monthly fixed allowance; and
- (ii) The meeting allowance be revised to as follows:-

Current Meeting Allowance (RM)	Proposed Meeting Allowance (RM)	
Chairman and Member	Chairman	Member
2,645 (per meeting)	3,500 (per meeting)	3,000 (per meeting)

The details of the Directors' benefits are as below:-

Monthly fixed allowance

Chairman of the Board of the Company/Insurance subsidiaries: RM12,000 per month

Meeting allowance

Chairman of the Board/Board Committee: RM3,500 per meeting

Member of the Board/Board Committee: RM3,000 per meeting

Others

Company car and driver: Chairman of the Board of the Company

Medical, personal accident and Directors' and Officers' Liability insurance: Board Members of the Company and its insurance subsidiaries

In determining the estimated total amount payable to the Chairman and the Directors for the period from 24 June 2021 to the next AGM of the respective companies, the Company took into consideration, amongst others, the number of scheduled meetings for the Board and Board Committees and the number of NEDs involved in these meetings.

The Ordinary Resolution 3, if passed, will allow the Company and its insurance subsidiaries to make payment to the NEDs on a monthly basis and/or as and when incurred.

3. Re-election of Directors who retire in accordance with Clause 19.1 and Clause 19.7 of the Company's Constitution

Clause 19.1 of the Company's Constitution provides that an election of Directors shall take place each year at the AGM of the Company where one-third (1/3) of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), then the number nearest one-third (1/3), shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years. A retiring Director shall retain office until the close of the meeting at which he retires.

Solmaz Altin will retire at the 47th AGM pursuant to Clause 19.1 of the Constitution of the Company. He has indicated his willingness to seek for re-election and abstained from the deliberation and voting of his re-election at the Board Meeting.

Pursuant to Clause 19.7 of the Company's Constitution, any Director so appointed shall hold office only until the next following AGM of the Company, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Notice of Annual General Meeting

Goh Ching Yin and Gerard Lim Kim Meng were appointed in years 2020 and 2021 respectively, accordingly, they are standing for re-election pursuant to Clause 19.7 of the Company's Constitution at the 47th AGM. They have indicated their willingness to seek for re-election and abstained from the deliberation and voting of their respective re-election at the NRC Meeting and Board Meeting, where applicable.

The profile of Solmaz Altin, Goh Ching Yin and Gerard Lim Kim Meng, are set out in the Board of Directors' Profile in this Annual Report.

4. Re-appointment of Auditors

The Audit Committee reviewed the proposed re-appointment of Messrs PricewaterhouseCoopers PLT ("PwC PLT") (including of engagement partner and concurring partner) as Auditors for the Company and its insurance subsidiaries for the FY 2021 and concluded that PwC PLT met all the evaluation criteria as prescribed by the relevant authorities. The Audit Committee recommended the proposed re-appointment of PwC PLT to the respective Boards of the Company and its insurance subsidiaries for consideration.

The Board having satisfied that PwC PLT met the evaluation criteria as prescribed by the relevant authorities, recommended the proposed re-appointment of PwC PLT as Auditors of the Company for the FY 2021, for the shareholders' approval.

EXPLANATORY NOTES ON SPECIAL BUSINESS

5. Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The Company is principally engaged in investment holding whilst the principal activities of its subsidiaries are underwriting of all classes of general insurance business, life insurance and investment-linked businesses.

It is anticipated that the Company and its insurance subsidiaries will, in the ordinary course of business, enter into recurrent related party transactions with classes of related parties as set out in Section 2.2 of the Company's Circular to Shareholders dated 21 May 2021.

In view of time sensitivity and the frequent nature of such related party transactions, the Directors of the Company are seeking shareholders' approval for the proposed Ordinary Resolutions 8 and 9, to allow the Company and its insurance subsidiaries in their ordinary course of business, to enter into recurrent related party transactions with the respective related parties as detailed in Section 2.2 of the Company's Circular to Shareholders dated 21 May 2021, provided that such transactions are made on arm's length basis and are on terms not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders.

Detailed information in relation to the proposed shareholders' mandate for recurrent related party transactions are set out in the Company's Circular to Shareholders dated 21 May 2021, issued together with this Annual Report.

ABSTENTION FROM VOTING

1. Directors who are shareholders of the Company will abstain from voting on Resolutions 1, 2 and 3.
2. Directors referred to in Resolutions 4 to 6, who are shareholders of the Company will abstain from voting on resolution with regard to their respective re-election at the 47th AGM.

NOTE TO THE HOLDERS OF IRREDEEMABLE CONVERTIBLE PREFERENCE SHARES ("ICPS")

The holders of ICPS shall be entitled to attend the 47th AGM via RPV but have no right to vote at the 47th AGM. The voting rights of the ICPS holders are detailed in the Constitution of the Company published on the Company's website at allianz.com.my/corporate-profile.

Form of Proxy

Allianz Malaysia Berhad 197201000819 (12428-W)
(Incorporated in Malaysia)

Privacy Notice:

The personal data collected shall be used for the purpose of enabling your proxy/proxies to attend the 47th Annual General Meeting of the Company. We shall retain the personal data for record keeping purposes in accordance with the Company's retention policy. By submitting this Form of Proxy to us, you confirm that you have consented and have obtained the consent of such proxy/proxies to enable us to process and retain the personal data provided in this form. If you or your proxy/proxies have a residential address in any of the European Union ("EU") member states, please reach out to us at: privacy@allianz.com.my in order for us to assess and comply with the EU Privacy Law - General Data Protection Regulation otherwise our local Personal Data Protection Act, 2010 shall apply to you and your proxy/proxies.

Number of Shares Held	
CDS Account No.	
Contact No.	

I/We _____
(Full Name of Shareholder as per NRIC/Passport/Certificate of Incorporation)

NRIC/Passport/Company No. _____ of _____

(Full Address)

being a member/members of ALLIANZ MALAYSIA BERHAD ("Company") hereby appoint:

Full Name		Proportion of Shareholdings	
NRIC/Passport No.		No. of Shares Held	%
Address			

and/or (delete as appropriate)

Full Name		Proportion of Shareholdings	
NRIC/Passport No.		No. of Shares Held	%
Address			

or failing him/her, the Chairman of the Meeting as my/our proxy to attend and vote for me/us on my/our behalf at the 47th Annual General Meeting ("47th AGM") of the Company to be conducted fully virtual from the broadcast venue at Ballroom A, Level 2, Aloft Kuala Lumpur Sentral, 5 Jalan Stesen Sentral, Kuala Lumpur Sentral, 50470 Kuala Lumpur ("Broadcast Venue") on Wednesday, 23 June 2021 at 11.00 a.m. and at any adjournment thereof, to vote as indicated below:-

ORDINARY RESOLUTIONS		FOR	AGAINST
1	Approval for payment of Directors' fees for the financial year ended 31 December 2020		
2	Approval for payment of Directors' fees effective 1 January 2021 until the next Annual General Meeting of the Company		
3	Approval for payment of Directors' benefits from 24 June 2021 until the next Annual General Meeting of the Company		
4	Re-election of Solmaz Altin as Director		
5	Re-election of Goh Ching Yin as Director		
6	Re-election of Gerard Lim Kim Meng as Director		
7	Re-appointment of Messrs PricewaterhouseCoopers PLT as Auditors and authority to the Directors to fix the Auditors' remuneration		
8	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Allianz SE Group		
9	Proposed Shareholders' Mandate for Recurrent Related Party Transactions with Rapidpro Consulting Sdn Bhd		

(Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain as he/she thinks fit.)

As witness my/our hand this _____ day of _____ 2021.

Signature of Shareholder/Common Seal

NOTES TO MEMBERS AND PROXIES

1. Registration for Remote Participation and Voting facilities ("RPV")

- 1.1 The Company's 47th AGM will be conducted fully virtual at the Broadcast Venue. Member(s), proxy(ies), attorney(s) or authorised representative(s) **WILL NOT BE ALLOWED** to present physically at the Broadcast Venue on the day of the Meeting. Members can attend, speak (posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the 47th AGM via the RPV available on TIH Online website at <https://tiah.online>.
- 1.2 Registration of RPV is open from the date of the Notice of 47th AGM on Friday, 21 May 2021 at 11.00 a.m. until such time before the voting session ends at the 47th AGM on Wednesday, 23 June 2021.
- 1.3 Member(s), proxy(ies), attorney(s) or authorised representative(s) are required to register as a user with TIH Online website (first time registration only) prior to pre-register their attendance for the 47th AGM for verification of their eligibility to attend the 47th AGM using the RPV based on the **Record of Depositors as at 15 June 2021**.
- 1.4 Please follow the Procedures for RPV provided in the Administrative Details for the 47th AGM in order to participate in the 47th AGM remotely via RPV.

2. Submission of Questions Before and During Meeting

- 2.1 Members may submit questions to the Company prior to the 47th AGM via email to InvestorRelations@allianz.com.my or Tricor Investor & Issuing House Services Sdn Bhd ("Tricor")'s TIH Online website at <https://tiah.online> by selecting "e-Services" to login, no later than Tuesday, 22 June 2021 at 11.00 a.m.
- 2.2 Alternatively, Members may use the query box to transmit questions to Chairman/ Board via RPV during live streaming.

3. Appointment of Proxy/Proxies

- 3.1 For the purposes of determining a Member who shall be entitled to participate in the forthcoming 47th AGM of the Company, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a Record of Depositors as at 15 June 2021. Only a depositor whose name appears in the Record of Depositors as at 15 June 2021 shall be entitled to participate in the 47th AGM or appoint proxy/proxies to participate on his/her behalf.
- 3.2 Every Member including authorised nominees as defined under the Securities Industry (Central Depositories) Act 1991, and Exempt Authorised Nominees which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account, is entitled to appoint one (1) or more proxy to exercise all or any of his rights to participate instead of him at the 47th AGM, and that such proxy need not be a Member.
- 3.3 Where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his shareholdings to be represented by each proxy.
- 3.4 The instrument appointing a proxy shall be in writing under the hand of the Member or of his attorney duly authorised in writing or if the Member is a corporation, shall either be executed under its common seal or under the hand of two (2) authorised officers, one of whom shall be a director, or of its attorney duly authorised in writing.
- 3.5 The instrument of proxy shall be deposited at the Registered Office of the Company at Level 29, Menara Allianz Sentral, 203, Jalan Tun Sambanthan, Kuala Lumpur Sentral, 50470 Kuala Lumpur. The instrument of proxy can also be submitted electronically through Tricor's TIH Online website at <https://tiah.online>. Please refer to the Administrative Details for the 47th AGM for further information on proxy form submission. All proxy forms submitted must be received by the Company **no later than Tuesday, 22 June 2021 at 11.00 a.m.**, being twenty-four (24) hours before the appointed time for holding the 47th AGM.
- 3.6 A Member who has appointed a proxy or attorney or authorised representative to participate in the 47th AGM via RPV must request for RPV at Tricor's TIH Online website at <https://tiah.online>. Please follow the Procedures for RPV registration in the Administrative Details for the 47th AGM.

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AFFIX
STAMP

The Company Secretary
Allianz Malaysia Berhad 197201000819 (12428-W)
Level 29, Menara Allianz Sentral
203, Jalan Tun Sambanthan
Kuala Lumpur Sentral
50470 Kuala Lumpur

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Allianz Malaysia Berhad

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